Ontario Hydro and its Government, 1906-1973: A Contemporary Analysis of a Historical Relationship

by

Neil B. Freeman

A Thesis submitted in conformity with the requirements for the Degree of Doctor of Philosophy, Graduate Department of Political Science, in the University of Toronto

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Ontario Hydro and its Government, 1906-1973:
A Contemporary Analysis of a Historical Relationship

Doctoral Thesis, 1993

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This thesis explores Ontario Hydro's relationship with the Ontario government from its inception as the Hydro-Electric Power Commission (HEPC) in 1906 to its formal re-creation as Ontario Hydro in 1973. The most striking finding of this thesis is that the HEPC's public ownership exhibited "institutionalized ambivalence" as both a government enterprise and the trustee of a municipal cooperative. Although municipal cooperative ownership was only a myth disguising government ownership, the myth was nevertheless made powerful through statutory enactments and executive appointments. Indeed, the competing ownership claims stood continuously unresolved, and the confusion was only attenuated rather than brought to an end with the creation of Ontario Hydro in 1973.

The ambivalence of the HEPC's ownership began with its creation as a hybrid of organizational forms. It was given crown corporation decision-making, municipal cooperative debt retirement, and government department financing and cabinet representation. Later, Adam Beck, the HEPC's first chairman, bolstered the cooperative contention to extract crown corporation financial autonomy the from government and narrow departmental control to ministerial representation. He used the

autonomy to transform the HEPC's co-existing with the private sector into a public ownership monopoly.

Rather than resolve the HEPC's ambivalent ownership after Beck's death in 1925, Premier Howard Ferguson institutionalized it further through appointments. By the 1943 election, the Ferguson formula of a non-partisan chairman alongside government and municipal constituency representatives had reached the status of a "semi-convention". With this formula hindering the government's efforts to infuse the HEPC with policy sensitivity for its objectives in a booming post-war economy, a tug of war with municipal leaders ensued until the last minister to sit on the HEPC resigned in 1963.

The HEPC's new role as the lead actor in a government supported industrial strategy based on nuclear power was what finally drove a revamping of its decision-making. The government succeeded in undermining the symbolic, appointment basis of the municipal cooperative contention by creating Ontario Hydro with a large board of directors in 1973. The protests of municipal leaders, however, ensured that the statutory basis for their contention survived unamended.

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CHAPTER ONE

INTRODUCTION: THE INSTITUTIONALIZED AMBIVALENCE OF THE H.E.P.C., 1906-1973

Analytical Framework

Although Ontario Hydro was among the first large-scale public enterprises in Canada, very little has been uncovered about its character and relationship with the Ontario government. This thesis will examine these matters from its inception in 1906 as the Hydro-Electric Power Commission of Ontario (H.E.P.C.) to its re-creation as Ontario Hydro in 1973. Although commonly perceived as the archetype of a crown corporation, the most striking feature of Ontario Hydro's incarnation as the H.E.P.C. was, in the words of Carolyn J. Tuohy's axiom of Canadian politics and public policy, the "institutionalized ambivalence"[1] of its public ownership. From the legislative episode which launched the H.E.P.C. onwards, it was simultaneously considered in different quarters to be both a government enterprise and the trustee of a municipal cooperative. These two understandings stood continuously a matter of gloriously unresolved debate, and the confusion was only attenuated rather than brought to an end with the creation of Ontario Hydro in 1973. Ambivalent ownership was indeed a feature central to the history of the H.E.P.C.

Although municipal cooperative ownership was in fact a myth disguising government ownership, the myth was nevertheless powerful. As an outgrowth of the particular division of labour established in the electric power industry in Ontario -- municipal power distribution coupled with H.E.P.C. generation

and transmission -- the myth drew its strength from pragmatic institutionalizations of ambivalent ownership. It was in this manner that the H.E.P.C. reflected, in Tuohy's words, "the Canadian aversion for either-or choices [and] the tendency to find distinctive ways of reconciling divergent concepts." Of the three major traits of "institutionalized ambivalence" she enumerates, all were prominently played out in the history of the H.E.P.C. Generally, the H.E.P.C. "legitimized competing principles" with regards to its ownership through legislative statutes at the same time executive appointments "allowed these principles to co-exist" to the satisfaction of provincial and municipal leaders in a process which "favoured elite accommodation."[2] Thus did statutes and appointments anchor the institutionalized ambivalence over the H.E.P.C.'s ownership. These instruments were used in a manner such that a choice would never be forced over whether the H.E.P.C., although created by the province, was a provincial government enterprise or the trustee of a municipal cooperative.

Statutes and appointments outlined the H.E.P.C.'s character and its relations with both the government and the Ontario Municipal Electric Association (O.M.E.A.), the representative of the municipally-owned local distribution companies. From an analytical perspective, what distinguishes these two instruments is that the first is a means for formal control and the second a channel of informal influence. The government, in the H.E.P.C.'s early years, used the formal control of statutes to

disguise the actual extent of its involvement in the electric power industry. By melding government ownership with some of the "competing principles" of municipal cooperative ownership, statutory enactments ensured municipal support for the initiative and simultaneously defused the private sector complaint of government ownership. Subsequently, appointments were used to institutionalize the "competing principles" further through "elite accommodation." Beginning with those made by Premier G. Howard Ferguson, in 1925, the O.M.E.A. received representation on the H.E.P.C. symbolically equal to what the government received by statute, according both equal treatment as the main constituencies in the H.E.P.C.'s decision-making.

The lasting significance of the principle of balanced government and O.M.E.A. representation in the "Ferguson formula," as this study calls it, was such that it would reach, utilizing Andrew Heard's classifications, the status of a "semi-convention." As such, the formula was less than a "fundamental" convention, one essential to the operation of the political system, but more than a "usage", one derived from a pattern of behaviour not based on a "reason or principle." Although the Ferguson formula might be "occasionally disregarded without significant impact," this formula provided a compelling reason for respecting its content as a general rule.[3] By adhering to the powerful myth that the H.E.P.C. was the trustee of a municipal cooperative in its use of appointments, the government avoided the wrath of the O.M.E.A., a concern it took especially

seriously in the lead up to elections.

Despite the institutionalization of ambivalent ownership through statutes and appointments, the government clearly intended the H.E.P.C. to serve its purposes. As a potential lever of economic growth and industrial development in the province, the creation of the H.E.P.C. was part and parcel of the phenomenon of "province-building" as it relates to turn-of-the-century Ontario. Although the concept of province-building was first developed to explain the post-1945 growth of provincial government activities vis-a-vis the federal government, particularly those which arose from the advent of the welfare state,[4] it has had a broader interpretation. In the larger context of the "defensive-expansionism" which has characterized Canadian economic development in the shadow of the American economy since Confederation, "province-building" has been used to characterize how provincial governments used their constitutional ownership of natural resources as the basis for economic development strategies. In this interpretation, "province-building" has always co-existed in Canadian politics and public policy in a dynamic relationship with "country-building."[5] The H.E.P.C. was clearly intended to serve province-building purposes from its inception.

In tracking the H.E.P.C.'s role as an agent of province-building, Marsha A. Chandler's analysis of the degrees of "intrusiveness" of crown corporations in the private economy can be used to track the evolving motives of government.[6] Based on a

comparative study of provincial crown corporations, she identifies three types on the basis of the purposes served by each. All three are relevant to the H.E.P.C.'s history. "Facilitative" corporations, the most predominant type, "supplement and support" the private sector to "foster" economic development and are not viewed as an "extension" of state control. This is so because of their minimal infringement on the autonomy of the private sector. "Redistributive" corporations, for their part, "challenge the distribution of economic and political benefits" and thereby extend state control over the economy. "Nationalistic" corporations are an amalgam of facilitative and redistributive corporations in their "enhancement" of the provincial interest at the expense of other jurisdictions.[7] In that these purposes are relevant to the H.E.P.C.'s history, they provide important markers of the evolving policy expectations of the government, and for that matter of the O.M.E.A.

In assessing the impact of the H.E.P.C.'s "province-building" mission on its character, the analysis of Jean Kirk Laux and Maureen Appel Molot provides another comparative reference point, that of international political economy. By outlining the generational characteristics of crown corporations, the Laux-Molot analysis establishes a generational context in which to appraise the H.E.P.C.'s development.[8] "First-generation" crown corporations are those which nationalized "whole sectors," principally from the primary and secondary sectors and usually those in financial trouble. Playing a "passive" role in the

economy, they "in effect service private enterprise at public expense." Although the "first-generation" crown corporations examined by Laux and Molot appeared four decades after the H.E.P.C., this category essentially describes the stage to which it had evolved by the mid-1920s, save for the fact that it was financially self-sufficient. Further changes to the character of the H.E.P.C. by the late 1960s yield an outcome comparable to what Laux and Molot categorize as "second-generation" crown corporations. Rather than being passive, such corporations have taken a "directive" role in the economy to "stimulate industrial growth" in "highly capital intensive" industries, with one example of relevance to the H.E.P.C. being "nuclear power." Their objective has been to "avoid social dislocation and eventual economic slump."[9]

With the H.E.P.C. serving the varying objectives outlined by Chandler and Laux and Molot throughout its history, these two analyses will be used alongside Tuohy's notion of "institutionalized ambivalence" and the author's own focus on statutes and appointments to analyze the five main eras of the H.E.P.C.'s history, each of which forms one of the substantive chapters of the thesis.

Introductory Overview

In a setting where technological advance had made it possible to transmit power over relatively long distances, electric power policy was of critical importance to turn-of-the-century Ontar-

io. The reason was that the abundance of water power at Niagara, previously out of reach of southwestern Ontario's industrial centres, could economically reduce the province's existing dependence on imported coal for generating power. In response to the technological advance, the owners of the existing electric power monopoly in Toronto set out in 1902 to create a vertically integrated monopoly of generation, transmission and distribution to serve Toronto with Niagara power, but not the smaller markets in southwestern Ontario. This situation sowed the seeds of subsequent public ownership in Ontario.

The establishment of the vertically integrated Toronto monopoly produced a strong mutual interest among the municipalities of southwestern Ontario. It caused municipal leaders in these outlying centres to fear being cut off from the benefits of Niagara's 'cheap power' and those in Toronto to want to be relieved of the domination of the private monopoly. On assembling to discuss their collective plight in 1902, they called for municipal cooperative ownership of a transmission company that would supply municipally-owned distribution companies. When he addressed the conflicting private and municipal pressures on his government in 1903, Liberal Premier George W. Ross chose to license the Toronto monopoly's generating station at Niagara and by statute permitted municipal cooperative ownership of transmission as well. The Ross Power Act, however, did not offer the financial assistance necessary to get the cooperative off the ground and did not permit municipalities to compete with private

companies on local distribution. The latter meant that the Toronto market, crucial to the viability of a cooperative, had to be excluded from the municipal scheme. In the result, the government overlooked the "facilitative" potential of 'cheap power' and certainly did not implement the "redistributive" policy sought by municipal leaders.

The deficiencies of the Ross Power Act would be overcome after the Conservatives won a watershed election under James P. Whitney in 1905. Whitney had won the election in part because his party had adopted 'public power' as a policy. It had done so at the behest of Adam Beck, one of its caucus members who while simultaneously serving as Mayor of London had been one of the more vocal municipal leaders making demands on the Ross government. Without nationalizing or regulating the vertically integrated monopoly, the Power Commission Act of 1906 established the H.E.P.C. as a permanent commission of government to transmit power purchased from private generating companies to associated municipally-owned local distribution companies. The fusion of the larger provincial interest with the municipal objective in this manner underscored the government's "facilitative" objectives for the H.E.P.C. And with the restrictions on municipalities competing with the private sector on local distribution lifted in addition to the H.E.P.C. being established in coexistence with the private sector, the creation of the H.E.P.C. was also "redistributive" because of its intrusiveness in the private sector.

Given that the private sector had already established itself in the industry, the government was cautious not to make a bold statement on public ownership when it created the H.E.P.C. On three counts, here began the "institutionalized ambivalence" of the H.E.P.C.'s ownership. First, rather than establish a new government department with formal ministerial responsibility, the government gave the H.E.P.C. the outward character of a crown corporation, a relatively new construct, with ostensible autonomy through the collective decision-making of three commissioners which it appointed. Second, in recognition of the role of the municipalities in leading the government to proceed with the initiative, the H.E.P.C. was also given two visible characteristics of a municipal cooperative. The municipalities were charged with determining its growth by local referendum and were required to make sinking fund payments to retire its debt, with the latter becoming a basis for claiming equity ownership of the H.E.P.C. Third, the corporation and cooperative elements, despite their visibility, were circumscribed by less obvious but powerful departmental controls. Indeed, the H.E.P.C.'s finances were to be controlled in all manner like those of a government department and one to two ministers, by statute, were to be among the commissioners, although without entailing formal ministerial responsibility. In this manner, the H.E.P.C. resembled a hybrid of instruments -- crown corporation, municipal cooperative and department of government -- weighted to a department and co-existing with the private sector. Thus, rather

than create the H.E.P.C. in the image of a "first-generation" crown corporation or public ownership monopoly, the government had made a pragmatic, politically rational response to the conflicting pressures with which it was faced.

The H.E.P.C. would evolve into a "first-generation" crown corporation or public ownership monopoly through the sheer force of the personal leadership of Adam Beck. From his appointment in 1906 as its first chairman until his death in 1925 after continuously holding the post, Beck exercised enormous influence over the direction of the H.E.P.C. There were two reasons. The first was that he sat simultaneously as a minister from 1905-14 and 1923-25 and as an M.P.P. for all but 1919-23. Even though the presence of a second minister in the years he was a minister, and especially between 1906 and 1914, suggested that the H.E.P.C. was subject to cabinet control, he was able to use his political popularity and that of the H.E.P.C. to dictate policy to his own government. The second was that Beck enjoyed the extra-parliamentary support of the O.M.E.A., the lobby of the municipally-owned distribution companies. It was created in 1912 after he had elevated the notion that the H.E.P.C. was the trustee of a municipal cooperative rather than a government enterprise to the status of a powerful myth. With premiers Whitney, William H. Hearst (1914-19) and E.C. Drury (1919-23) reluctant to give the H.E.P.C. the autonomy Beck desired, the cooperative claim effectively buttressed Beck's personal leadership. He used it with great fanfare to heighten the "inst-

itutionalized ambivalence" of the H.E.P.C.'s ownership and thereby strengthen the H.E.P.C.'s autonomy from government.

Beck succeeded in transforming the H.E.P.C. into a "first-generation" crown corporation through two legendary battles -- one securing the H.E.P.C.'s corporate autonomy from the government and the other driving private enterprise out of the industry. In the first, where crown corporation financial practices were at issue, Beck won this autonomy through statutory changes against the better judgement of his own government. Having reduced the H.E.P.C.'s departmental features primarily to ministerial representation, he had irreversibly altered the weighting of the H.E.P.C.'s hybrid make-up to a corporation from a department. In the battle over public/private sector co-existence, Beck was uncompromising in his desire to expand public ownership. Rather than begin with nationalizations to rationalize the industry, he used competition assiduously and with great success. By undercutting the rates of private companies and waiting out their leases before proceeding with nationalizations, Beck was able to establish a virtual public ownership monopoly at minimum cost. In the result, the H.E.P.C. had become, for all intents and purposes, a "first-generation" crown corporation by the time of his death in 1925. And with his "redistributive" project completed, the H.E.P.C. was left broadly "facilitative" of economic growth.

With the passing of Beck's personal leadership in 1925, appointments were opened up as an instrument for setting the

direction of the H.E.P.C. They would be used to institutionalize further the ambivalence of the H.E.P.C.'s ownership rather than exercise greater governmental control. Alongside a non-partisan chairman from outside both the government and the H.E.P.C., Premier G. Howard Ferguson chose to infuse political sensitivity into the H.E.P.C.'s decision-making through "elite accommodation" with the remaining two appointments. Joining one statutorily authorized cabinet minister, he appointed an O.M.E.-A. representative, thereby giving the association a status symbolically equal to the government. Treating the government and the O.M.E.A. as the H.E.P.C.'s main constituencies, the Ferguson formula had a particular genius. It bridged the otherwise disparate views over the ownership of the H.E.P.C. while simultaneously balancing business autonomy and informal political influence. This enabled the H.E.P.C. and the government to weather a federal-provincial jurisdictional dispute then occurring over the Ottawa and St. Lawrence rivers which threatened the "first-generation" or public ownership monopoly status of the H.E.P.C. Through a "nationalistic" stance, the H.E.P.C. would purchase power from companies wholly within Quebec rather than cede jurisdiction by buying power from federally licensed companies.

In what turned out to prove its genius, the Ferguson formula was abandoned by Ferguson's successor George S. Henry in 1930. He elevated the minister on the H.E.P.C. to the chairmanship, removing a critical division of labour which had been

established between the H.E.P.C. and the government. In addition, the other two commissioners would leave the H.E.P.C. even more tied to the government; the O.M.E.A. representative emerged as a partisan and former Conservative prime minister Arthur Meighen, a representative of no particular constituency, was appointed a commissioner. The situation would be made worse still when the H.E.P.C.'s chief engineer crossed over a second division of labour with the government by openly criticizing Liberal leader Mitchell F. Hepburn for criticisms of the H.E.P.C. Mired in politics and burdened with excess capacity from the Quebec contracts during the depression, the H.E.P.C.'s inability to sustain itself as a "facilitative" corporation contributed to the government's defeat in the 1934 election.

After the election, Premier Hepburn reverted to part of the Ferguson formula by appointing a non-partisan chairman, but diverged from it as well by appointing two ministers as commissioners. Besides shutting the O.M.E.A. out of the H.E.P.C.'s decision-making for its partisanship, this left the H.E.P.C. subject to cabinet control. The latter permitted a second "nationalistic" policy where the government would use the power of the Legislature to repudiate the H.E.P.C.'s long-term contracts with Quebec companies. However, with economic recovery undermining the wisdom of repudiation by creating a power shortage, Hepburn returned to the shelter of the Ferguson formula after the 1937 election. By appointing a new non-partisan chairman and again balancing government and O.M.E.A. representation,

the formula was not only restored but henceforth elevated to the status of a "semi-convention." In this setting, the H.E.P.C. abandoned its "nationalistic" stridency by negotiating agreements to develop the Ottawa river and generally got on with the business of being a "facilitative" crown corporation meeting the needs of war production.

Following the watershed election in 1943 which returned the Conservatives to power, Premier George Drew would seek to infuse the H.E.P.C. with policy sensitivity for the government's economic objectives. The reason was that the H.E.P.C. was emerging as a full blown "facilitative" crown corporation in a booming post-war economy. With the institutionalized ambivalence of the H.E.P.C., particularly the myth of municipal cooperative ownership, standing in the way of the sensitivity desired by Drew, a tug of war between the government and the O.M.E.A. ensued. For their part, Drew and his successors Leslie M. Frost in 1949 and John P. Robarts in 1961 readily resorted to statutory enactments as their instrument in the struggle. Given the political environment of one-party dominance, they acted without apparent fear of reprisal in the Legislature. The O.M.E.A., for its part, used resolutions at its enormously representative annual conventions to great effect for holding the government at bay. In the result, statutes had increased in importance in relation to appointments, but the principle of balanced government and O.M.E.A. representation in the Ferguson formula remained intact.

In the appointments made following the 1943 election, Drew attempted to circumscribe the Ferguson formula by not immediately appointing an O.M.E.A. representative. Rather than fill the vacancy, he created an advisory council in 1944 where he planned to give the O.M.E.A. representation. Soon thereafter, however, he recanted and appointed an O.M.E.A. representative to the H.E.P.C. because of pressure from the association. Subsequently, Frost appointed the council in 1951 while respecting the Ferguson formula for the commissioners, only to have the O.M.E.A. object to outside advisers for the H.E.P.C. With this opposition, the government increased the number of commissioners to six in 1955 to infuse outside input into the H.E.P.C.'s decision-making, but at the price of increased and disproportionate O.M.E.A. representation in the Ferguson formula. The conflict heightened with the establishment of a minister with portfolio for energy in 1959. Here the government won the battle but lost the war as the O.M.E.A. successfully resisted the H.E.P.C. being made formally responsible to the minister. Faced with the resilience of the myth of municipal cooperative ownership, Robarts increased the government's own representation on the H.E.P.C. in 1961 to balance the O.M.E.A. in the Ferguson formula. And after appointing a top civil servant as the senior government representative, the government also ended the last departmental feature of the H.E.P.C. in 1962 by removing the statutory requirement that a minister sit as a commissioner. By the departure of the last minister in 1963, the tug of war was

at a draw.

In the era from 1964 to the re-creation of the H.E.P.C. as Ontario Hydro in 1973, the H.E.P.C.'s character was transformed on two fronts. First, the H.E.P.C. moved from a "first-generation" crown corporation, one passively providing a basic service, to a "second-generation" crown corporation, one taking a directive role in the economy through counter-cyclical policy. Second, it moved beyond its merely "facilitative" role vis-a-vis economic growth to the status of a lead actor at the cutting edge of a "nationalistic" economic strategy. These changes occurred through the H.E.P.C.'s promotion of the Canadian nuclear industry and Ontario uranium over technology and resources from other jurisdictions. It was only with these changes that there emerged the political will to revamp the H.E.P.C., and particularly the "institutionalized ambivalence" which stemmed from the myth of municipal cooperative ownership. In response to the H.E.P.C.'s new role, Premier William G. Davis set out to revamp its decision-making in 1971 in the image of a modern crown corporation utilizing contemporary business practices. Although the cost was a renewed tug of war with the O.M.E.A., the O.M.E.-A.'s reactive, defensive stance would only be able to constrain the reform initiative rather than block the government's overall objective.

Although the revamping that created Ontario Hydro in 1973 made its corporate features paramount, the institutionalized ambivalence of its predecessor's ownership would only be at-

tenuated. The O.M.E.A.'s opposition to reform ensured that the statutory foundation for the municipal cooperative contention, and the sinking fund payments in particular, survived unamended. However, the symbolic basis for the cooperative contention was severely diminished on three fronts, causing its visibility and vitality to be undermined. First and most strikingly, this occurred through the introduction of a large board of directors for Ontario Hydro. By representing various sectors of the business community and societal interests, not just the government and the O.M.E.A., the new board broke the hold the Ferguson formula had held on the H.E.P.C.'s decision-making. Second, Ontario Hydro, for the first time in its history, was made statutorily responsible to a minister with portfolio for energy. Third, the O.M.E.A.'s self-proclaimed role as 'watch dog' over the H.E.P.C. was displaced by external review, although not regulation, of Ontario Hydro by the Ontario Energy Board. In the result, a new ambivalence was institutionalized among crown corporation decision-making, municipal cooperative-like debt retirement, formal ministerial responsibility and quasi-regulation by government.

Endnotes: Chapter One

1. Carolyn J. Tuohy, Policy and Politics in Canada: Institutionalized Ambivalence (Philadelphia: Temple University Press, 1992).

2. Ibid., p. 5.

3. Andrew Heard, Canadian Constitutional Conventions: The Marriage of Law and Politics (Toronto: Oxford University Press, 1991), pp. 145-48.

4. Edwin R. Black and Alan C. Cairns, "A Different Perspective on Canadian Federalism," Canadian Public Administration 9:1 (1966). See also R.A. Young, Philippe Faucher and Andre Blais, "The Concept of Province-Building: A Critique," Canadian Journal of Political Science 17:4 (December 1984).

5. See for example, Marsha A. Chandler and William Chandler, Public Policy and Provincial Politics (Toronto: McGraw-Hill Ryerson, 1979), pp. 12 and 253.

6. Marsha A. Chandler, "The Politics of Public Enterprise," in Crown Corporations in Canada: The Calculus of Instrument Choice, ed. J.R.S. Prichard (Toronto: Butterworths, 1983).

7. Ibid., pp. 209-212.

8. Jean Kirk Laux, and Maureen Appel Molot, State Capitalism: Public Enterprise in Canada (Ithaca, N.Y.: Cornell University Press, 1988).

9. Ibid., pp. 20-21. The concept of first and second generations of crown corporations as applied to Canada is borrowed from Stuart Holland, "Europe's New Public Enterprises," in Raymond Vernon, ed., Big Business and the State (Cambridge, Mass.: Harvard University Press, 1974). To the first and second generations, Laux and Molot add a third. In their view, "third-generation" crown corporations are those which government began to use in the 1980s to "counteract vulnerability to external change and assert greater control over the domestic market." In addition, these corporations differ from their predecessors by representing a switch in the orientation of the state from "social purpose" to "business logic." Laux and Molot, op. cit., pp. 4, 5 and 24.

CHAPTER TWO
TURN-OF-THE-CENTURY STATE INTERVENTION: CREATING THE H.E.P.C., 1906

Introduction

This chapter will examine the character of the H.E.P.C. and its relationship with the Ontario government at the H.E.P.C.'s inception in 1906. Originating as an organizational form very different from other early examples of public enterprise, the formation of the H.E.P.C. was of historic significance both for its co-existence with the private sector and its confusing degree of autonomy from government. Although the H.E.P.C. would later come to fit Laux and Molot's typology of a "first-generation" crown corporation, its establishment differed markedly from this typology because no private companies were nationalized and no emphasis was placed on its operation being or becoming sector-wide. And despite being created for a specific business purpose, in many important respects the H.E.P.C.'s initial character and relationship with the government did not even resemble a crown corporation.

In probing the anomalous nature of the H.E.P.C.'s initial character, its most striking feature was, utilizing Tuohy's phrase, the "institutionalized ambivalence" of its public ownership. The key to uncovering the precise make-up of the outcome lies in tracking the alternatives which the government might have followed at the time of the H.E.P.C.'s creation. They were: (1) increased regulation of private enterprise, (2) promotion of cooperative municipal ownership, (3) creation of a department of

government, and (4) creation of a crown corporation. In the light of these four alternatives, it can be seen that the government constructed a pragmatic, politically rational response.[1] Rather than create the H.E.P.C. in the image of one of the four alternatives, the H.E.P.C.'s features reveal that the government in fact created a hybrid of a department, corporation and cooperative that would co-exist with the existing private companies in an environment where neither was subject to regulation.

As for the relative importance of the elements of each alternative present in the H.E.P.C.'s hybrid structure, the key to interpreting their weighting lay in the means of formal, statutory control and informal, political influence by government. These means reveal that although the H.E.P.C. received the outward character of a crown corporation displaying ostensible autonomy from government and some features of a municipal cooperative to ensure municipal support, the government gave the strongest weighting to the less obvious but powerful controls that characterize a government department. In arriving at this mix, the purposes underlying public ownership, as Chandler contends, were of critical importance to the government. Coming on the heels of a watershed election in 1905, the H.E.P.C.'s hybrid structure was perceived to be the best means to "facilitate" economic development and produce "nationalistic" advantages for the province.

Niagara in Politics

In the years leading up to the H.E.P.C.'s creation in 1906, the means whereby economic development could best be promoted by electric power in Ontario were a matter of great political controversy. The controversy arose at this time because technological advance had only then made it possible to transmit electric power over relatively long distances. This advance, although of "world-wide" significance, attracted attention without parallel in Ontario according to W.R. Plewman because of the province's immense water power resources, particularly at Niagara.[2] Without an indigenous supply of coal to generate power, Ontarians were naturally captivated, as H.V. Nelles suggests, by water power's capacity to deliver the "new industrialism" occurring elsewhere.[3] The potential of water power for generating power inexpensively and relieving dependence on American coal, whose delivery was subject to strikes and price escalations, made it a valuable resource for the province. In this setting, the existing minimal regulation of private enterprise in the industry was under siege.

Two interrelated controversies were stimulated by the advance in transmission technology which fuelled the search for an alternative to private sector regulation. Both stemmed from the fact that the Electrical Development Company (E.D.C.) was seeking a franchise to develop water power on the Canadian side of Niagara. The E.D.C. was a syndicate formed in 1902 to complete the vertical integration of related companies. Its

specific role was to generate electric power for transmission by the Toronto and Niagara Power Company, distribution by the Toronto Electric Light Company, and consumption by the Toronto Street Railway Company.[4] Moreover, the franchise it sought was the last of three made available, with the other two already held by American-owned companies that exported their power to nearby Buffalo. Thus, one controversy over Niagara centred on the merits of a vertically integrated monopoly serving Toronto. The other centred on the likelihood of there not being transmission from Niagara to other communities of southwestern Ontario, leaving them to rely on power generated by coal. The two controversies would converge to form a united search for an alternative to the private character of electric power development at Niagara.

The controversy over the monopolization of the electric power industry in Toronto was not unique among utilities in North America. In both Canada and the United States, as Christopher Armstrong and H.V. Nelles document, the monopolization of utilities was countered by "civic populism," a movement which sought to reverse the trend through "local control and municipal freedom."[5] The particular movement in Canada, however, was unique in that almost all its leaders were elected officials, which was not the case in the United States. Moreover, the "major battleground" in Canada, Ontario, was unique as well because its movement had a very broad base. For instance, support from local Boards of Trade and the Canadian Manufac-

turers' Association meant the business community was not united in defense of the property rights of the private monopolists, and support from both management and trade unionists meant the movement had "crossed the class divide."[6]

Even prior to the advance in transmission technology, Toronto had been a centre for civic populism. The city council had applied to the provincial government to build its own coal generated power plant many times. The objective was to sell electric power at a lower rate than that offered by the profit-seeking Toronto Electric Light, but permission was never granted because of the competition it posed. Moreover, the city's repeated applications were made in vain after 1899 because of an amendment to the Municipal Act initiated by James Conmee, Liberal M.P.P. for Algoma West. Known as the Conmee Clause, it extended an existing prohibition on municipalities competing with private water utilities to include gas and electric utilities. For a municipality to enter any of these fields, the Act required it to purchase the existing company.[7]

The second dimension of the controversy over Niagara, the prospect that southwestern Ontario communities would be cut off from its benefits, was particularly worrisome to the business and municipal leaders of that region. They feared that economic decline would result without an injection of inexpensive electric power. At a meeting of the Waterloo Board of Trade on February 11, 1902, E.W.B. Snider, a former Liberal M.P.P. and leading local industrialist, first raised this gloomy prospect

and formulated it as a challenge facing the Boards of Trade of the region. He personally favoured the formation of a power cooperative of municipalities and manufacturers.[8] With this historic meeting, municipal cooperative ownership emerged as an alternative to the existing regulation of private enterprise.

Municipal Cooperation, 1902

With interest aroused in 'cheap power,' Snider and W.B. Detweiler, a former president of the Berlin (now Kitchener) Board of Trade, organized a public meeting in Berlin on June 9, 1902. Its purpose was to examine in greater detail the possibility of servicing the region with power from Niagara. They invited as a guest speaker the engineer of the American-owned Ontario Power Company, C.H. Mitchell, to inform them of developments in the industry. They also invited Alderman F.S. Spence of Toronto, who had initiated Toronto's applications for a municipal power plant, to inform them of the efforts of Toronto city council.[9]

At the meeting Snider reduced the municipal leaders' options to three: the private power companies at Niagara could build transmission lines to the municipalities; the provincial government could get into the business of power transmission; the municipalities could form their own power cooperative. By motion the meeting opted to create a municipal cooperative, and selected a working committee to pursue this end. At the committee's first meeting on June 30, 1902, it was decided that Snider along with Alderman Spence and Alderman J.H. MacMechan of London

should speak to Ontario's Liberal Premier George W. Ross regarding their plan. Detweiler, for his part, set out to assemble figures on electric power demand for each municipality interested in the cooperative scheme and the bulk prices charged by the companies generating power at Niagara.[10]

The municipal leaders had to move swiftly given that they were competing with the E.D.C. for the remaining franchise at Niagara and the E.D.C. had already made its application to the government. Even though the franchise had yet to be awarded, Snider reported back to the southwestern Ontario municipal leaders on October 20, 1902 that his delegation's meeting with Premier Ross had not proved fruitful. Ross was neither willing to reserve water rights for a municipal cooperative nor prepared to have government operate a transmission company. He felt justified in his stance because he was unwilling to incur provincial debt for only one region of the province and would not accept the municipal leaders' contention that, in Nelles' words, the "public interest" so closely paralleled their "manufacturers' interests." Moreover, Ross could not understand their "fears of monopoly," suggesting the number of companies operating at Niagara was evidence of competition.[11]

The stakes were high for future development on the Canadian side of Niagara. In awarding the franchise, the Ross government had to choose between the well organized and financed E.D.C. syndicate, formed with the intention of supplying Toronto, and the embryonically organized and politically disaffected south-

western Ontario business and municipal leaders. The choice was made less difficult by the fact that the cooperative scheme had yet to be shown to be economically viable and would likely require government financial assistance. More germane to the outcome, in Plewman's view, was the fact that "the electric companies had vigilant and resourceful friends [at Queen's Park] who repeatedly checked and baffled the forces campaigning for cheap power."[12] Thus, the municipal leaders were likely not surprised when the E.D.C. was granted the franchise by the Ross government on January 27, 1903, but they remained undaunted.

Notwithstanding this defeat, the municipal leaders had become a de facto pressure group of sizeable political force that would have to be heard in the future. On February 17, 1903 interest in the municipal cooperative had expanded to attract sixty-seven business and municipal leaders, including representatives from nineteen councils, to another meeting in Berlin. Adam Beck, who was newly elected as both the mayor and Conservative M.P.P. of London in 1902 and would figure prominently in the future of hydro politics in Ontario, was in attendance for the first time. At the meeting Snider and Detweiler sought approval for their plan to create a transmission company cooperatively owned by municipal distribution companies. With the transmission company to purchase power from private companies at Niagara, the advantage of this scheme was that it avoided the high capital cost of generation. Their written report recognized that legislation was required and it formally recommended that

government permit a municipality to join the cooperative through a vote of its electors. However, the motion to adopt the plan was amended with bipartisan support on the initiative of Beck and Thomas Urquhart, the Liberal mayor of Toronto. Their amendment, a trailer to the main motion, called on the municipal leaders to "urge upon the Ontario Government the advisability of government building and operating [the transmission system] as a government work."[13]

The amendment to the Snider-Detweiler plan was of great significance. With it, government ownership had emerged as an alternative to municipal cooperative ownership. The addition of this alternative, however, served to divide the municipal movement over its official objective. This proved embarrassing for Snider ten days later, February 27, 1903. As the representative of the municipalities, he had to demand that Premier Ross proceed with one of the two alternatives, after having previously made known his own preference for a cooperative. Given the choice, Ross ruled out government ownership and accepted municipal cooperation, to which he did not object in principle. The government passed an Act, dubbed the Ross Power Act, with this object on June 12, 1903,[14] but this would not be the end of calls for government ownership.

The Ross Power Act, 1903

The terms of the Ross Power Act suggest that it was designed simply to prescribe the rules regulating municipal entry into

the electric power industry and not to lend government endorsement to municipal cooperative ownership.[15] The Act established no means for formal, statutory government control over a cooperative through an active or even passive role for the cabinet, nor any provision for informal, political influence through government appointments to their boards. Moreover, the Act did not commit government in any way to underwrite the cost of such cooperatives. The absence of any role for government implied that a municipal power cooperative was to be treated as a strictly private concern. This explicit avoidance of political and financial responsibility by government was most evident in the Act's placement of supervisory responsibility with the chief justice of Ontario rather than cabinet.[16]

The Act set out in two distinct stages the details of how municipalities were to proceed to the establishment and operation of power cooperatives. In the first stage, the municipal councils were required to appoint a commission of two to four persons and one engineer to act as a fact-finding inquiry. Once appointed, the commissioners were to produce a detailed report on the cost of the works and the price of electric service for every interested municipality. This report would then serve as the basis for individual municipal councils to review their participation in the proposed cooperative. If a council favoured joining the cooperative it could do so by publishing the plan, including the total cost of the works, and ratifying it in a bylaw referendum under the provisions of the Municipal Act. With

this stage completed, no further role existed for the inquiry commissioners.[17]

The second stage of the Ross Power Act outlined the procedure for establishing a permanent municipal power cooperative. It was here that the Act assigned a supervisory role, comparable to that usually held by cabinet, to the chief justice of Ontario. This role was to begin following the ratification of the municipal bylaws, at which point the chief justice was to appoint "at pleasure" persons nominated by the municipalities to a board of commissioners. Notably, municipal councillors and officers were specifically disqualified from assuming these operational control positions. The chief justice was also responsible for appointing the cooperative's auditor, but the audited annual report was directed to neither the chief justice nor the cabinet. It was to be submitted only to the commissioners and the secretary of the Bureau of Industry, like the annual report of any private company, and copies were to be made available to the participating municipalities, presumably like any company shareholders. There was no direct supervisory role for cabinet or government. The commissioners, for their part, were assigned responsibility for the cooperative's day-to-day business and for ensuring that it was "self-sustaining". All power contracts with third parties, however, fell under the chief justice's supervisory responsibility, as did the adjudicative function of arbitrating disputes with third parties.[18]

The Ross Power Act went to great lengths to ensure that the

provincial government would have no financial responsibility for municipal cooperatives, but its restrictions made the financing rules convoluted.[19] The process was to begin with the commissioners' selection of a trustee to act as a third party financial agent. The trustee was to receive from each municipality the debentures approved in their bylaws and then transfer these funds to the commissioners for construction purposes. In exchange, the commissioners were to transfer to the trustee bonds that were equal in value to the debentures and backed by a non-preference "lien" on assets. The trustee was also required to return to each municipality amounts sufficient to maintain a sinking fund for its debentures. In the case where the debentures issued were not sufficient to complete the works, the chief justice could authorize the issue of "special" bonds with a "first lien" on assets. The lone financial concession was that municipal power cooperatives would be exempt from taxation.[20]

In general, the Ross Power Act permitted the municipalities to engage in any aspect of the electric industry, including generation at Niagara, but provided little assistance for them to be successful. Its overarching theme was to insulate government from political and financial responsibility for any municipal power cooperative which might result. It did so by assigning a supervisory role to the chief justice and by removing the cooperatives from municipal politics. The most significant problem with the Act from the municipalities' standpoint, however, was that it did not rescind the Municipal

Act's prohibition on competing with private municipal utilities, (the Conmee Clause), or amend the Municipal Act's prescribed limits on the total indebtedness of municipalities.

The Snider Commission, 1903-04

The municipalities interested in proceeding under the terms of the Ross Power Act met in Toronto on August 12, 1903, two months after the passage of the Act. Although sixteen municipalities were represented, only seven participated in the establishment of the Ontario Power Commission. As chairman, they selected Snider, known to the government as a former Liberal M.P.P., and as commissioners they selected Adam Beck, then an opposition Conservative M.P.P., W.F. Cockshutt, a prominent manufacturer who would become a federal Conservative M.P. in 1904, and P.W. Ellis, president of the Canadian Manufacturers' Association and a Conservative.[21] Although nominally bipartisan, the open political affiliations of the commissioners and the preponderance of Conservatives had the potential to keep the Snider Commission's work mired in partisanship and bring embarrassment to the Liberal government.

The issue likely to cause both the Snider Commission and the government problems was the question of government ownership. Although the municipal movement had been consolidated into a government sanctioned fact-finding inquiry for a cooperative, it had never officially rejected government ownership as an alternative. Government ownership had first been adopted on

Beck's initiative, and would in fact resurface at his urging. Despite being a Snider commissioner, Beck sought to capture the attention of municipal leaders and the Conservative party with government ownership long before the Snider Commission submitted its report. Although the report would have to limit itself to recommendations on a municipal cooperative, Beck's effort would not be for naught. The report would also be useful for the cause of government ownership.

It was notable that by the time of the Snider Commission's first meeting in August 1903 Beck had vaulted to a leadership position in the municipal movement rivalling that of Snider. This was surprising because he had only been elected a mayor and M.P.P. in 1902 and had attended his first municipal meeting in February 1903. Both the politics of the period and Beck's political style played a significant role in his rise. In the 1902 general election the Ross Liberals had barely clung to power with 50 of 98 seats and showed little sign of being able to recover in time for the next election. This meant, in Nelles' view, that Snider's influence "naturally suffered" because much of it stemmed from his "close relationship" with Premier Ross. Beck, on the other hand, was able to fill this void because he was seen to have influence in the "prospective" government. In addition, the Conservatives were generally the party of urban Ontario in this era, both municipally and provincially, which put Beck in better stead with fellow municipal leaders than Snider.[22] With this potential for rivalry between Snider and

Beck threatening to fracture the tenuous consensus for a municipal cooperative, the Snider Commission proceeded with its business.

As for the other factor in his rise, Beck's political style stood in strong contrast to Snider's quiet diplomacy. In Plewman's view, Beck acted "impetuously and vigorously," and in him, according to Nelles, the "movement acquired what it had long needed -- assertive leadership unrestrained by modesty or self-consciousness."[23] This left Beck better suited than Snider to exploit the general anti-monopoly sentiment then existing in Ontario and the specific political opportunity that civic populism presented in the politics of Niagara. It mattered little that he was responsible for keeping the municipal movement and the Snider Commission divided on its preference for either municipal cooperative ownership or government ownership.

Although Snider remained the nominal leader of the municipal movement as the chairman of the Ontario Power Commission, Beck came to eclipse him as its leading figure. This was possible because Beck had successfully rallied public sentiment for 'cheap power' throughout 1904, in the lead-up to a 1905 provincial election, and had persuaded his Conservative colleagues to adopt the popular cause as party policy.[24] The latter was especially significant to his overshadowing of Snider because the Ross Liberals were known to have made it difficult for the municipalities to get their cooperative operating. Moreover, since Beck was only 46 years-old in 1903, compared to Snider who

was 61, the municipalities had gained a leader whose age, character and political affiliation demonstrated that he could lead their movement through to the realization of its broad objective of 'cheap power.'

With the 1905 election looming, the Ross government sought to bolster its electoral prospects through the 'cheap power' issue as well. Aware that the Conservatives were leaning towards government ownership, it acted to secure power for a municipal cooperative. This occurred as a result of the E.D.C., in the knowledge that the government was in danger of defeat, having applied to the Queen Victoria Niagara Falls Park Commission, the government regulatory body, for an additional 100,000 horse-power of water rights. The Park Commission, undoubtedly cognizant of the politics involved, deferred the request to the government as a "matter of public policy" on November 11, 1904. The government, in turn, used this opportunity to insist that the E.D.C. allocate one-half of the new concession for a municipal cooperative. With the company reluctant to accept this "unfair condition," its application was overtaken by the onset of the election campaign. Anticipating a Liberal loss, the E.D.C. eventually accepted the terms on January 9, 1905, during the campaign.[25]

The Watershed Election and the Beck Commission, 1905

The prospects for government action on 'cheap power' were greatly enhanced when the Conservatives won the provincial

election on January 25, 1905 with 69 of 98 seats after 34 years of Liberal governments. Electric power policy had been one of the few major political issues in the years leading up to the 1905 election and a key issue which differentiated the parties and their leaders in the campaign.[26] Premier Ross had defended his policy of promoting corporate competition at Niagara as the means to foster 'cheap power.' Conservative Leader James P. Whitney, for his part, condemned the Liberals for permitting the industry to develop for the export market and for favouring the E.D.C. over the aspirations of the municipal leaders. This was good politics because while Ross was premier he also served as president of the Manufacturers' Life Insurance Company, and E.D.C. principals served as directors of the company. Thus, even if Whitney was, according to Nelles and others, a "reluctant convert" to the 'cheap power' cause, according to Charles W. Humphries he fully understood the political gain that could be extracted from the "rising anti-corporate sentiment" in the province.[27]

By the 1905 election sentiment in the province had largely swung to favour government ownership over municipal ownership, and that the rhetoric of municipal leaders had swung to 'public power' from 'cheap power.' The main factor which made this election such a watershed was the same one that now made the objective of 'public power' obtainable. In general, turn of the century Ontario was experiencing a large rural-to-urban demographic shift that undermined the long-standing rural base of

Liberal support and enhanced the urban base of Conservative support. Thus, electric power was a key issue not only in terms of party differentiation. As a largely urban issue, one not yet of widespread interest to rural voters, it also had a role in determining the election outcome. In addition, the Liberals had greater difficulty than the Conservatives in responding to the implications of the demographic shift on the power issue. As Humphries explains, it was natural that the "Liberals, so long in power, [had] developed an inclination towards the view of the power producers, while the Conservatives, in opposition, understood the problem from the consumer point of view."[28]

When the Whitney government took office on February 8, 1905, it had, Nelles reports, the "full confidence" of the 'public power' movement.[29] Whitney responded by taking three decisive actions favourable to the movement. His first was to make Beck a minister without portfolio and designate him the government's principal spokesman on power issues. Then in May 1905 he rescinded the agreement the Liberals had made with the E.D.C. during the election to grant additional water rights, which the company was now pressuring him to fulfil. This action was of great significance because it halted any new private development at Niagara.[30] To resolve the pressing issue of the suitability of private development governing the industry at Niagara and elsewhere, Whitney took a third significant action. On July 5, 1905 he established the Hydro-Electric Commission of Inquiry, giving it much broader terms of reference than those of

the Snider Commission. The scope of the inquiry included obtaining financial and technical information from the private companies and the scale extended to the whole province, not just Niagara. Whitney appointed Beck as chairman and P.W. Ellis, the Snider commissioner, and George Pattison, a Conservative M.P.P., as commissioners.[31]

All three of Whitney's initiatives were politically astute. Giving Beck responsibility for both power issues and the inquiry ensured municipal support for the new government. Halting future development at Niagara until the inquiry reported bought time for the government to establish its own policy on regulating private development. Establishing the inquiry permitted the government to explore, as well, the alternatives of either assisting the formation of the municipal cooperative or assuming responsibility for transmission to municipalities itself. Moreover, the fact that a commission of inquiry could be created by cabinet "without reference" to the Legislature, thereby avoiding "debates and delays," was an important consideration in Merrill Denison's view.[32]

Hydro-electric issues remained prominent throughout the winter of 1906 with the impending release of reports from the Snider and Beck commissions. The struggle between Snider and Beck for the direction of the municipal movement, especially with Beck remaining a member of Snider's commission, was highlighted when Ellis, also a member of both commissions, resigned from only Beck's commission on January 23, 1906. The pretext was

ill-health, but it probably resulted from Beck's mistreatment of Snider. This was a temporary set-back to the Beck Commission because the powers of its commissioners were "joint", meaning that it could not continue. The commission was reconstituted on January 26th, with John Milne of Hamilton replacing Ellis.[33] Nonetheless, this was not the end of the tension between Beck and Snider.

The reports of the Snider and Beck commissions were released within one week of each other in the spring of 1906. Snider's report of March 28th was moderate, as expected, adhering to the original scheme for a municipally owned cooperative and advocating no provincial government involvement.[34] The harsh criticism of the character of private development given in Beck's report of April 4th did suggest strong action could be expected from government, but it made no recommendation for either a municipal cooperative or provincial government ownership.[35] In public statements, however, Beck made his position quite clear. He was of the opinion, according to Nelles, that "since the province would have to act as banker and coordinator of the municipal cooperative ..., it might as well take an active role in the running of whatever system might be decided on."[36] With this advocacy of government financing and leadership, Beck had the municipalities on his side even though Snider remained closer to the original sentiment for municipal ownership.

Recognizing that his sentiment for government transmission of power to the municipalities would be a departure for govern-

ment, Beck, ever the skilful public figure, set in motion a campaign to promote his view and undercut both Snider's profile and the Snider Commission's recommendations. His efforts included helping revive the municipal movement, left dormant after being subsumed into the Snider Commission for the purposes of the Ross Power Act. The movement was reorganized as the Municipal Power Union (M.P.U.) on March 23, 1906, two weeks prior to the release of the Beck report, and it willingly agitated for his objectives. In addition, Beck openly appropriated the Snider Commission's research to keep the municipalities focused on his own agenda, politically sidelining Snider in the process. According to Plewman, Snider was "astounded" when he discovered that the figures supporting his recommendations, worked out by consulting engineers at the expense of the municipalities, were "published in newspapers and credited to Adam Beck."[37]

The Snider Report, 1906

Although the terms of the Ross Power Act officially directed the Snider report to the municipalities that had participated in its formation, the document spoke to the much broader audience of all Ontario municipalities, the municipal movement's private sector detractors and the provincial government. In essence, the report recommended, contrary to the interpretation of Nelles, that the municipalities proceed with a cooperative for both transmission and generation of electricity. And, although the report did not explain why the cooperative should assume the

high capital cost of generating power, it did not conclude, as Nelles writes, that the municipalities could not afford to build a generating station.[38] The report was convinced that the cooperative, if it was operated as a "business institution and absolutely divorced from politics," would be successful. Notably, it felt this success would be enhanced if the cooperative expanded to embrace eleven "subsidiary" municipalities in addition to the seven "principal" municipalities which had initiated the inquiry. The report worked out the costs and prices of supplying electricity to both groups, noting the "advantageous conditions" of the enlarged cooperative. Indeed, the report went on to note that if the cooperative became province-wide the "aggregate savings would reach a colossal scale."[39]

The indication that the Snider report was directed to a broad audience was the great weight it placed on a municipal cooperative's capacity to promote economic development and produce a competitive advantage for the province. Of these benefits, the principal municipalities had already been convinced. After noting the lower rates for each category of ratepayer, the report went on to note how these rates would facilitate "productive and competitive efficiency" in manufacturing. This, in turn, was claimed to be able to attract the "enterprise of others." As an indication of the size of this impact, the Snider Commission's engineer calculated that Niagara could generate more power than the total then generated with coal in the United Kingdom. This electric capacity, he felt, was "destined to make

[Niagara's distribution area] perhaps the foremost manufacturing centre in the world." In sum, the Snider report argued that a vibrant municipal cooperative would exercise an extraordinary influence upon the future of Ontario.[40]

The Snider report stressed the economic benefits of a municipal cooperative to counter and refute criticism of municipal ownership. Without seeking a direct confrontation with private companies, the main protagonists, it stated only that their opposition was "coloured by considerations of self-interest." In response to those opposed on "principle", the report argued that municipal ownership simply "represented the voluntary efforts of society to work out a more efficient civilization." And despite the report's expansionist tenor regarding the proposed cooperative, it noted that "ample field" would remain for private companies. With this non-confrontational position, the report did not go on to recommend, as Nelles contends, that a "permanent" commission "regulate the entire hydro-electric industry." On the related matter of whether the electric power industry was too much of a risk for municipal capital, the Snider Commission's engineer stated that there was no "engineering objection." The reason, in his professional opinion, was that water power developments would not be rendered "obsolete through invention."[41]

The Snider report also addressed the hurdles that had to be overcome in order to get the municipal cooperative operating. Not surprisingly, the report focused on the Conmee Clause of the

Municipal Act and the restrictive financing provisions of the Ross Power Act. On the former, the Snider report noted that three of its group of seven principal municipalities had private utilities that would have to be bought out, and that the utilities in two, Toronto and London, would refuse to sell. The report, however, only noted that the Conmee Clause would "interfere" with the plan outlined in the report, but did not go on to recommend, as Nelles maintains, that the clause be repealed.[42] As for the financing provisions, the report recommended that the municipal debentures should be backed by a "specific first charge" on the construction bond issue, rather than a "non-preference" lien. This additional security was thought necessary to reduce borrowing costs until investor confidence could be established.[43]

The Beck Report, 1906

The Beck Commission, which submitted only a partial report to the Whitney government, tackled the broader scope and scale of its mandate by dividing the province into five geographically distinct water power districts, and making Niagara the subject of its first report. This decision was expedient given Beck's desire to undermine the Snider Commission and the fact that his own commission had been in existence for less than a year. By issuing a preliminary report on Niagara, Beck was able to utilize the Snider Commission's extensive research (presumably through his access as a Snider commissioner), and his report

openly acknowledged this fact.[44] The Beck report, however, lacked the thoroughness displayed in the Snider report in terms of detailing costs, etc., and was short on specific recommendations.[45]

The content of the Beck report would appear to suggest that it was produced for political purposes, specifically to belittle the Snider report's recommendation to construct a generating plant, to criticize the negative economic effects of private development, and to draw public attention to the poor stewardship of the Queen Victoria Niagara Falls Park Commission. Nowhere did the report recommend government ownership, although this has been the popular mythology. Despite its harsh criticism of existing government regulation and its lack of emphasis on municipal cooperative ownership, the Beck report did not propose, as Nelles writes for example, that the government create a "provincial hydro-electric commission to regulate the affairs of the private companies and to distribute its own power to the municipalities."[46]

On the issue of electric power demand, the Beck report, unlike the Snider report, virulently criticized the negative effects of private development to make its point on the facilitative potential of abundant, inexpensive water power. The report stated that demand existed for large quantities of power, but that this demand could only be unleashed if power was made available on an at-cost basis. It then condemned private corporations for working against the diffusion of electric power by

not keeping their prices down. Citing Montreal, Buffalo and Hamilton as examples, the report stated that

> the trend of affairs with private corporations ... has been, not to compete for business, ..., but to amalgamate or otherwise destroy competition, and then to fix the prices according to the slight savings which they may be able to induce their customers to make. The natural result of this has been to force individual consumers, where the circumstances justified it, to install generating plants of their own, or to adhere to existing methods, rather than to place themselves at the mercy of large combinations formed for the purpose of preventing competition and keeping up the price of electrical power; and the same result occurs where there has never been a competing company.[47]

This critique of the constraints on electricity's economic potential under private enterprise was only a precursor to the report's attack on specific companies, particularly the E.D.C.

The Beck report's criticism of private development was based on the deficiencies of regulation for governing the industry. The minimal regulation then in existence was primarily restricted to monitoring the quantities and rates of power generated, and thereby gave government little or no control over development. Under the terms of the franchise agreements between the private companies and the Queen Victoria Niagara Falls Park Commission, the companies were obliged to provide "verified statements" of the power they generated and sold, etc., and divulge the rates charged when requested by order-in-council. The Beck Commission sought to examine the statements only to discover that none had ever been submitted. On request, the information was voluntarily delivered directly to the Beck Commission by two small companies, but the larger E.D.C. and the

American-owned Ontario Power Company refused. The Beck report recommended that the statements be insisted upon and that the rates be requested by cabinet to provide a public record.[48] The report, however, did not make recommendations on how regulation might be improved.

Despite the intransigence of the large private companies, the Beck report was able to provide figures on the costs of generation and transmission of power because much of the work had been completed by the Snider Commission. The report simply supplemented the Snider report's figures to arrive at figures for the larger number of municipalities it determined could be supplied by Niagara. Furthermore, it was able to provide costs for plants at Niagara of three different horsepower levels even though the capital costs of the existing large private companies were not divulged. It could do this because its demand scenarios covered those used in the Snider report to formulate a recommendation to build a plant. Having provided these figures, however, the engineering appendix of the Beck report only recommended that a transmission company be established, one that would purchase its power from private generating companies. The primary reasons given were the shorter construction time horizon and the greater flexibility permitted for demand to develop. No mention was made of who should own the transmission company.[49]

In sum, the Beck report lacked specifics. It did not propose to have the provincial government financially underwrite a municipal cooperative or own the transmission system. It did

not discuss any need for formal, statutory government control over the transmission company, nor any need for informal, political means of government influence, such as appointments. The rhetoric in the report and Beck's own public statements did suggest strong action from government could be expected, but information on specifics would have to wait until legislation was introduced.[50]

With the release of the Beck report, any common ground Snider and Beck might have previously shared on the municipal movement's objectives was now displaced. Beck's report and his public statements placed little emphasis on direct municipal cooperative ownership of transmission and inferred government would assume a strong role, but Snider was too weak politically to restrain Beck. Premier Whitney, who Nelles suggests wanted a "compromise between the extremes of public and private ownership," was the only person who could take control of the power issue. However, he was outflanked by Beck when 1,500 people marched on Queen's Park on April 12, 1906. This staged demonstration occurred only eight days after the release of the Beck report. According to Plewman, "the voice of the people, under Adam Beck's expert coaching, was asserting itself in no uncertain manner."[51]

The march to Queen's Park had been preceded by a M.P.U. meeting held at Toronto City Hall. By motion it had decided that legislation should be introduced to permit the government to appoint a "permanent commission" as the means of "safeguarding

the people's interests." The motion called not only for this commission to have broad powers to undertake "generation, transmission and distribution" of electric power; it also sought the authority to regulate all electricity prices, including those charged by private companies.[52] Thus, the municipal movement had chosen to favour government ownership and increased private sector regulation. Desiring a body with the decision-making and autonomy of a crown corporation, the implication was that the municipal movement had abandoned cooperative ownership as its objective.

The Power Commission Act, 1906

On May 7, 1906 Beck introduced as government legislation the Bill to create the Hydro-Electric Power Commission as a permanent government body. Although he had been responsible for the broad outline of the Bill, neither he nor any other member of the government was its actual author. The ghost author was Whitney's predecessor as Conservative party leader, W.R. Meredith, the Chief Justice of Ontario. He had maintained an active, although discreet, role in his party's affairs. Plewman in fact argues that Meredith drafted much of the legislation, given that Beck was a "political novice and not sure of himself."[53] Meredith's involvement, however, was possibly of even greater significance to the outcome because he privately assured Whitney that the Bill was a "safe and conservative measure" and urged him to resist being "stampeded into withdrawing or emasculating"

the legislation.[54] Notably, the Bill passed through the Legislature in three days with little debate, given that members of the Liberal opposition voted with the government rather than support the objections raised by their leader, former premier Ross.[55] The features drafted into the Power Commission Act, as the H.E.P.C.'s statute would later come to be known, made it dramatically different from the Ross Power Act, but the organizational form was less clear. In fact, it created the H.E.P.C. as a hybrid of a government department, crown corporation and municipal cooperative.[56]

The official title of the Power Commission Act was "An Act to provide for the Transmission of Electrical Power to Municipalities." Although this title was non-committal on the ownership of the H.E.P.C., it belied the dominant role the Act granted the government in H.E.P.C affairs. This role, readily evident in the placement of supervisory responsibility with the cabinet (rather than the chief justice) and the government's commitment to finance the undertaking, clearly differentiated the Act from the Ross Power Act. It suggested, as Alexander Brady points out, that the H.E.P.C. conformed in "broad essentials" to a department of government. However, this role for government was not fully apparent, he notes, because the Act stated that the H.E.P.C. was "a body corporate."[57] Although this did little to hide the fact that the government had appropriated the municipal initiative, the appropriation did satisfy municipal objections to the Ross Power Act, many of which were not even

addressed in the Snider and Beck reports. Moreover, the appropriation accommodated, in part, the notion that the H.E.P.C. was the trustee of a municipal cooperative. This enabled municipal leaders to support the initiative willingly. The only actors not accommodated were the private companies, but they were appeased in two ways: there was no plan to nationalize them and their objection to the H.E.P.C. regulating their prices was heeded.[58]

In outward appearance, the H.E.P.C. had three features that suggested it was a crown corporation rather than a department of government or municipal cooperative. First, the H.E.P.C.'s decision-making was made collective through a board of three commissioners, rather than hierarchical through a minister and departmental portfolio. Second, the H.E.P.C. had the power to hire its own staff outside of civil service rules. And, third, the government, rather than the municipalities, was given the power to appoint all of the commissioners at pleasure as well as designate the chairman. On its own, the power to appoint the commissioners indicated the H.E.P.C. was a crown corporation rather than a department because it provided the government with only informal, political influence, and thereby was not in conflict with collegial decision-making. However, the specifics of this third feature suggested that it was a marker for a department rather than a crown corporation. The Act stated that one of the three commissioners must be a cabinet minister and two may be cabinet ministers.[59] Thus, the requirement that ministers sit as commissioners in effect formalized the government's otherwise

informal influence in the H.E.P.C., giving it a departmental character.

The provision for ministers sitting as H.E.P.C. commissioners was just one of three dimensions to the departmental character of the H.E.P.C. that differentiated it from a crown corporation. All three stemmed from the overarching role the Power Commission Act assigned the cabinet in the H.E.P.C.'s affairs. The second dimension rested upon the numerous statutory provisions for formal cabinet approval of the H.E.P.C.'s business decisions. All of these provisions centred on the extensive powers of acquisition and expropriation granted to the H.E.P.C., powers which were absent in the Ross Power Act and not included in the recommendations of either the Snider or Beck commissions. Under the Power Commission Act, the H.E.P.C. could request that cabinet authorize the acquisition or expropriation of any lands, works or other property of private companies, including the power they generated. If cabinet gave its approval, the H.E.P.C. enjoyed all the powers found in the Public Works Act. The H.E.P.C. and its commissioners were also granted crown immunity, unless the attorney general of Ontario granted leave.[60] Under this umbrella of formal cabinet control and the privileges of a government department, the H.E.P.C.'s form differed little from a department.

The financial provisions of the Power Commission Act were the third dimension to the H.E.P.C.'s departmental character. The Whitney government addressed the financing deficiencies of

the Ross Power Act by assuming the burden of underwriting the H.E.P.C., and in the process took control of all its finances. First, the Power Commission Act provided for the cabinet to raise capital for the H.E.P.C. in the name of the province rather than the H.E.P.C. issuing its own securities with a government guarantee. This left the H.E.P.C. without a critical avenue of corporate freedom. Second, the Act dictated that the H.E.P.C.'s revenues and expenditures were to be managed by the government and audited by the provincial auditor, and specified in particular that all its revenues were to be paid over to the treasurer of Ontario to retire its debt. This gave the H.E.P.C. the same financial status as a department, and, ironically, meant that it was required to pay its employees, including commissioners, out of legislative appropriations, despite having the discretion to hire its own staff.[61] And third, with these financial constraints, there was little need and the Act made no provision for an annual financial report, leaving the H.E.P.C. without a crucial marker of a corporate status. Thus, the Power Commission Act was framed on a trade-off. The H.E.P.C. received government financial assistance in exchange for government financial control which circumscribed its corporate autonomy.

Although the Power Commission Act gave the H.E.P.C. the appearance of a crown corporation and the character of a government department, it also accommodated the notion that the H.E.P.C. was the trustee of a municipal cooperative on two fronts. One accommodation was the organizing principle that all

H.E.P.C. expenditures were repayable by the municipalities. The Act instructed the H.E.P.C. to charge each participating municipality a proportionate share of (1) 4 per cent interest on the capital expenditures of the H.E.P.C., (2) sinking fund payments to retire the securities issued by the government, and (3) general operating expenses of the H.E.P.C.[62] Thus, the notion that the H.E.P.C. was the trustee of a municipal cooperative was enshrined in the statutory structure of the H.E.P.C. despite the fact that it was to be governed like a department.

The second accommodation of the notion that the H.E.P.C. was a municipal cooperative was the lead role the Power Commission Act assigned municipal councils in initiating the H.E.P.C.'s growth. On this score, the Act followed the early outline set by the municipal movement that was later incorporated in the Ross Power Act: the H.E.P.C. was only to supply power, and thus expand, after a municipality had held a bylaw referendum.[63] Notably, the Act was more lenient than the Ross Power Act on a number of points. First, the bylaw approval was split into two stages, dividing the approval for a provisional contract with the H.E.P.C. for transmission of power from the raising of debentures for municipal distribution works. Second, the bylaw for the provisional contract did not have to specify a predetermined total cost to the municipality. Third, the Act exempted municipally-owned distribution companies receiving power from the H.E.P.C. from the strictures of the Conmee Clause. This meant that Toronto and London, the major centres of

electric demand affected, could establish utilities in competition with private companies.[64]

Three trade-offs were made for the provisions favourable to the notion that the H.E.P.C. was the trustee of a municipal cooperative. The first was that the H.E.P.C. was given the power to regulate municipal rates and other matters, with appeals to be heard by the commissioners as well. The second was that the municipalities lost the power they had held under the Ross Power Act to nominate commissioners. The third was that all contracts with the H.E.P.C. were subject to the formal approval of cabinet.[65] In sum, the provisions that the H.E.P.C.'s growth was determined by demand in the municipalities and that its debts were repayable by the municipalities gave support to the notion that a municipal cooperative had been established, despite the extensive powers conferred on the government. However, the municipalities were given no control over the H.E.P.C.'s decision-making even though they had initiated the movement for 'cheap power.'

Conclusion

The purpose of this chapter has been to determine the character of the H.E.P.C.'s public ownership and its relationship with the government at its inception in 1906. In unearthing its "institutionalized ambivalence," a necessary starting point has been to rule out any resemblance with later "first-generation" crown corporations. The Ontario government not only placed no emphasis

on nationalizing private companies; it created the H.E.P.C. as a hybrid of a crown corporation, a municipal cooperative and a government department. As for the H.E.P.C.'s relationship with the government, its character lay in the mix of these three organizational forms. The H.E.P.C. was given the outward character of a crown corporation through the collegial decision-making of three commissioners and some features of a municipal cooperative in its debt retirement and mode of expansion provisions, but the strongest weighting of its hybrid nature was toward a government department. The H.E.P.C.'s finances were to be administered like a department and the requirement that one to two cabinet ministers sit as commissioners provided another avenue of departmental control. Given past frustration with private sector regulation, this particular hybrid was deemed the most suitable organizational form for the government's "facilitative" and "nationalistic" economic objectives.

In overseeing the H.E.P.C.'s creation, the predilection and will of Beck was pervasive. This influence would continue throughout its first twenty years of operation.

Endnotes: Chapter Two

1. On this perspective, see M. J. Trebilcock, J.R.S. Prichard, D.G. Hartle and D.N. Dewees, The Choice of Governing Instrument (Ottawa: Economic Council of Canada, 1982).

2. W.R. Plewman, Adam Beck and the Ontario Hydro (Toronto: Ryerson, 1947), p. 28.

3. H.V. Nelles, The Politics of Development: Forests, Mines and Hydro-electric Power in Ontario, 1849-1941 (Toronto: Macmillan, 1974), pp. 216-17.

4. The syndicate also included Canadian General Electric. Christopher Armstrong and H.V. Nelles, Monopoly's Moment: the Organization and Regulation of Canadian Utilities, 1830-1930 (Toronto: University of Toronto Press, 1988) p. 154; and, Nelles, op. cit., pp. 230-31.

5. Armstrong and Nelles, op. cit., pp. 141-42. The character of finance in this era was such that it permitted what they have labelled "monopoly's moment."

6. Ibid., pp. 115-16, 146, 149, 154 and 160. It should be noted that civic populism "often implied municipal ownership" but many of its adherents were "always willing to consider other avenues of regulation." Where public ownership was advocated the adherents were divided between "instrumentalists," seeking to control the "evils of monopoly," and "fundamentalists," who saw public ownership as an "end in itself" and as a "process of moral reform." Ibid., pp. 146-48.

7. The price, however, was subject to arbitration. Plewman, op. cit., pp. 30-32; and "The Municipal Amendment Act," S.O. 1899, c. 26 s. 35. See also Kenneth C. Dewar, "Private Electrical Utilities and Municipal Ownership in Ontario, 1891-1900," Urban History Review 12:1 (June 1983).

8. Nelles, op. cit., p. 237; and, Plewman, op. cit., p. 32.

9. Nelles, op. cit., p. 238; and, Plewman, op. cit., p. 33.

10. Nelles, op. cit., pp. 238-39; and, Plewman, op. cit., pp. 33-35.

11. Nelles, op. cit., pp. 239-41.

12. Plewman, op. cit., p. 36.

13. Merrill Denison, The People's Power: The History of Ontario Hydro (Toronto: McClelland and Stewart, 1960) pp. 38-40; Nelles, op. cit., pp. 241-42, and 247; and, Plewman, op. cit., pp. 37-39.

14. Nelles, op. cit., p. 244; and, S.O. 1903 c. 25, An Act to provide for the Construction and Distribution of Municipal Power Works and the Transmission, Distribution and Supply of Electrical and other Power and Energy, 1903 (hereafter the Ross Power Act).

15. A similar view is that "the Act was undoubtedly devised for the purpose of preventing the Municipalities from plunging in an unrestricted fashion into reckless adventure in the electrical field." See, James Mavor, Niagara in Politics: A Critical Account of the Ontario Hydro-Electric Commission (New York: E.P. Dutton and Company, 1925), p. 35.

16. The cabinet's only role was to determine the level of compensation for the chief justice's services. Ross Power Act, op. cit., s. 51. It should be noted that the chief justice of Ontario at this time was W.R. Meredith, the former leader of Ontario Conservative Party.

17. Ross Power Act, S.O. 1903 c. 25 s. 1, 2, 52, 11, 9 and 10.

18. Ibid., s. 12, 49, 17, 22, 21, 23 and 24.

19. See Mavor's summation of the Act's content in note 15.

20. Ross Power Act, op. cit., s. 41, 42, and 26. The chief justice was also charged with approving interest rates on any bonds that exceeded the limit specified in the Act (s. 42). As a check, all transfers to the commissioners from the trustee required a certificate from the chief engineer of the cooperative stating their purpose (s. 43). It should be noted, however, that the bond scheme, minus the roles for the trustee and chief justice and the special bonds, etc., was first outlined by Alderman Spence of Toronto at the Berlin meeting in 1902. See Reginald Pelham Bolton, An Expensive Experiment: The Hydro-Electric Power Commission of Ontario (New York: The Baker and Taylor Company, 1913), pp. 19-20.

21. The commissioners selected Professor R.A. Fesserden of Washington, D.C. as a technical consultant and fifth commissioner. Plewman, op. cit., p. 41; and, Nelles. op. cit., pp. 245-46. It should be noted that Detweiler had resigned from the municipal committee on July 9, 1903, having gone on to organize the privately owned Algoma Power Company in 1902, with Snider as one of his investors. Plewman, op. cit., pp. 40 and 239.

22. Nelles, op. cit., p. 247; and, Charles W. Humphries, 'Honest Enough to be Bold': The Life and Times of Sir James Pliny Whitney (Toronto: University of Toronto Press, 1985), p. 96.

23. Plewman, op. cit., p. 39; and, Nelles, op. cit., p. 247.

24. Nelles, op. cit., p. 247; and, Armstrong and Nelles, op. cit., p. 154.

25. Canadian Annual Review, 1905, p. 286.

26. Humphries identifies the main issues of the period to be the general integrity of the government, given numerous scandals, and the electric power and temperance questions. Humphries, op. cit., pp. 81-96.

27. Premier Ross had had this corporate connection to the E.D.C. when the latter's franchise was granted in 1903. Moreover, in 1906 it would be revealed that the Manufacturers' Life Insurance Company had investments in the E.D.C. Humphries, op. cit., pp. 77-78, 85 and 86. Humphries disagrees with Nelles and others on Whitney's attitude to public power, stating that Whitney had decided as early as 1902 that some form of government involvement was necessary. See Humphries, op. cit., p. 77; and, Nelles, op. cit., p. 265.

28. Humphries, op. cit., p. 96; and, Nelles, op. cit., p. 257n.

29. Nelles, op. cit., p. 257.

30. Although the Conservatives charged that there was "politics" in the agreement, their pretext for not respecting it was that it had not been formally ratified by the Legislature. Canadian Annual Review, 1905, pp. 288-289.

31. Nelles, op. cit., p. 258. For the details of the H.E.C.I. mandate see Ontario, Hydro-Electric Power Commission of the Province of Ontario: First Report; Niagara District (April 4, 1906) (hereafter the Beck Report). The commission is referred to here as the Hydro Electric Commission of Inquiry, (which is the title used by Nelles), even though the word "inquiry" is not in its official name. I give it this name to distinguish it from the permanent commission established in 1906 which adopted the inquiry's official name.

32. Denison, op. cit., p. 47; and, Nelles, op. cit., p. 258.

33. Denison, op. cit., p. 48; and, Beck Report, op. cit., pp. 5 and 3.

34. Ontario Power Commission, Official Report of the Ontario Power Commission (Toronto: Monetary Times Publishing Company, March 28, 1906). (Hereafter the Snider Report). Nelles

mistakenly suggests that one of the Snider report's recommendations called for a permanent commission to "regulate the entire hydro-electric industry." Nelles, op. cit., p. 263. In correspondence with the author, Nelles writes that the reference should be to the "proposed cooperative enterprise itself." Correspondence with H.V. Nelles, Professor of History, York University, Downsview, Ontario (undated [October 1990]).

35. Beck Report, op. cit.; and, Nelles, op. cit., pp. 263-64.

36. Nelles, op. cit., p. 259.

37. Ibid., pp. 259-60; and, Plewman, op. cit., pp. 46-47.

38. Snider Report, op. cit. The original scheme of the municipal movement was to avoid the capital cost of generation, but the capital costs presented in the report are based on "development, transmission and distribution" (p. 10). Moreover, the report's text and conclusions recommend a specific site for generation and alternative sites in case the one preferred was not possible (pp. 17 and 23). Nelles claims the report recommended otherwise, stating the "Commissioners decided for the time being that they could not afford to build a generating station." Nelles, op. cit., p. 263. Plewman, however, writes that the Snider Commission "recommended that the municipalities join in the construction of a generating plant at Niagara and of a transmission and distribution system." Plewman, op. cit., p. 46.

39. Snider Report, op. cit., pp. 20, 9-10 and 13.

40. Snider Report, op. cit., pp. 16 and 27-28.

41. Ibid., pp. 20-21 and 31-32; and, Nelles, op. cit., p. 263. See endnote 34 as well.

42. Nelles, op. cit., p. 263. In correspondence with the author, Nelles suggests he took the word "interfere" to mean that the "Conmee Act would have to be modified rather than that the project would have to be abandoned." (Nelles, correspondence, undated [October, 1990]). I do not make this connection, however, because I feel that although the commissioners were united on the need to proceed, they may have been split on the issue of repealing the Conmee Clause. This makes the word "interfere" a simple factual statement, lacking a definitive recommendation on how to proceed. One reason for this belief is that repeal meant there would be competition without compensation. On this point it should be noted that Snider owned the electric properties in Waterloo and had invested in the Detweiler-owned Algoma Power Company. Moreover, Beck may have accepted the word "interfere" knowing he had the influence to

see that it would be translated as a recommendation for repeal. Snider's property in Waterloo is noted in, Ontario, Hydro-Electric Inquiry Commission: Report on History and General Relations (December 23, 1923), p. 13, and his investment is noted in Plewman, op. cit., p. 239.

43. The report also complained that the "special bonds" which the chief justice had discretion to issue, with their "first-lien" on assets, would hurt the "marketability" of the construction bond issue. Snider Report, op. cit., p. 18.

44. For example, the report used the Snider report's figures on power demand. Beck Report, op. cit., p. A8.

45. Mavor states that the "Report is of the most meagre and unsatisfactory character," and specifically that its details are "slender". Mavor, op. cit., p. 44. Although the report is widely attributed to have recommended public ownership, this is not the case. See for example Nelles, op. cit., pp. 263-4.

46. Nelles, op. cit., p. 264. As another example, although one with a different conclusion than Nelles', Kenneth C. Dewar writes that the Beck report "did not favour public ownership of generation, but it did recommend that the province build the transmission facilities." Kenneth C. Dewar, "State Ownership in Canada: The Origins of Ontario Hydro" (Unpublished Ph.D. thesis, University of Toronto, 1975), p. 208.

47. Beck Report, op. cit., p. 7.

48. Ibid., pp. 10 and 11. Whitney issued orders-in-council requesting the figures. Humphries, op. cit., p. 152.

49. Ibid., pp. 8, 10, A8 and A14.

50. Mavor writes that the report was "destitute of scientific value and was not a document upon which far reaching legislation should have been based." Mavor, op. cit., p. 47.

51. Nelles, op. cit., pp. 265 and 260; and, Plewman, op. cit., p. 48.

52. Plewman, op. cit., p. 48; Nelles, op. cit., p. 260; and, Denison, op. cit., pp. 50-1.

53. Plewman, op. cit., p. 49.

54. Meredith is cited in Humphries, op. cit., p. 154 and in Nelles, op. cit., p. 265. Plewman also states that Allan Dymond, later Chief Law Clerk of Ontario, drafted the Act, but in light of his statement regarding Meredith he probably means that Dymond was the law clerk when it was drafted. Plewman, op. cit.,

p. 448.

55. S.O. 1906 c. 15, An Act to provide for the Transmission of Electrical Power to the Municipalities (hereafter the Power Commission Act). The Bill passed third reading May 10th, the last day of the session, and received assent May 14th. Mavor argues it was introduced at the end of the session to "stifle discussion." Mavor, op. cit., pp. 52-53. Ross' objections to the Bill were the effect on credit, the politicization of the H.E.P.C.'s affairs through cabinet ministers serving as commissioners, the provision for provincial rather than municipal debt, provincial debt for only one region, the override of the Conmee Clause, and the inclusion of expropriation powers. Report on History and General Relations, op. cit., p. 47.

56. On this conclusion, Nelles is in agreement. He writes: "I agree with you entirely that a process of hybridization was involved, a process which created an organization that was between things, between the province and the municipalities, and thus effectively an agency on its own. Whether that was understood at the time I am not certain. I think not. Rather I expect people thought they were squaring circles." Nelles, correspondence, undated [October 1990].

57. Underlying the inclusion of this supervisory role, in Brady's view, was the desire that the "government and commission ... were to act in unison; and that the major decisions of the commission, especially with regard to expenditures were to come regularly before the government." Alexander Brady, "The Ontario Hydro-Electric Power Commission," Canadian Journal of Economics and Political Science 2:3 (1936), pp. 331 and 332; and, S.O. 1906 c. 15 s. 1.

58. On the matter of regulation, the Power Commission Bill included at first reading a provision for the H.E.P.C. to regulate both electric and gas utilities. Ontario, Bills of Ontario, 1906, n. 243 s. 19. According to Beck in his testimony before the Ferris Committee of the New York State Legislature, the provision was dropped during debate because of a "storm of protest." State of New York, Report of the Joint Committee of the Legislature on the Conservation of Water (January 30, 1912) After second reading, the Bill was amended to remove the provision for the regulation of gas utilities by deleting the references to gas and adding that regulation only affected those bodies "receiving power from the Commission." The Globe, May 10, 1906, p. 1; and, The Power Commission Act, S.O. 1906 c. 15 s. 19. The general objections of the private companies to the H.E.P.C. were based on their agreements with the Queen Victoria Niagara Falls Park Commission. The agreements specified that the Park Commission would not produce or distribute power, and were presumed by the companies to cover government generally. The E.D.C., in particular, contended that the H.E.P.C., as an agent of the

government, trespassed on its property rights. See Mavor, op. cit., p. 31.

59. Remuneration for commissioners other than those in cabinet (who received no extra remuneration) was also the prerogative of cabinet. The Power Commission Act, S.O. 1906 c. 15 s. 1, 2, 3, 4 and 5. Notably, the legislation was introduced without the expressed provision for cabinet ministers sitting as commissioners and then was amended to give it this provision while in committee May 9, 1906. Ontario, Bills of Ontario, 1906, n. 243 s. 1; S.O. 1906 c. 15 s. 1; and, Globe, May 10, 1906, pp. 1 and 8.

60. S.O. 1906 c. 15 s. 11, 12, 13, 21 and 22.

61. Ibid., s. 18, 17 and 5.

62. All of these municipal payments were to be paid over to the provincial treasurer, leaving the H.E.P.C. no role in administering the retirement of the debt. Ibid., s. 14, 15 and 16.

63. Ibid., s. 6 and 7.

64. Ibid., s. 10 and 8.

65. Ibid., s. 7, 8 and 19.

CHAPTER THREE
RULING THE H.E.P.C. THROUGH PERSONAL LEADERSHIP: THE BECK ERA, 1906-1925

Introduction

This chapter will investigate the changes in the character of the H.E.P.C. and its relationship with the Ontario government while Adam Beck served as its chairman. The Beck era, which began with the appointment of the first H.E.P.C. commissioners in 1906 and ended with Beck's death in 1925 after continuously serving as chairman, gained its renown from the mark he left through his personal leadership. Beck led two legendary battles that irreversibly altered and heightened the "institutionalized ambivalence" of the H.E.P.C. First, he championed crown corporation autonomy for the H.E.P.C. at the expense of departmental controls, and he simultaneously abetted the notion that it was the trustee of a municipal cooperative rather than a government enterprise in the process. Second, he drove the private sector out of the electric power industry, transforming the co-existence begun in 1906 into, for all intents and purposes, a public ownership monopoly. By the time of his death in 1925, he had built the H.E.P.C. into a "first-generation" crown corporation broadly "facilitative" of economic growth.

Beck's general strategy for securing corporate-like autonomy for the H.E.P.C. was most evident in his unwillingness to have it remain tacitly, let alone officially become, a department of government. Although he served for most of this era as an M.P.P. and a cabinet minister in addition to being H.E.P.C.

chairman, this did not provide the enhancement of government control suggested. When refusing to abide by the government's policy dictates, Beck would balance the government, his political and financial master, off against his municipal allies, who he readily mobilized against government control when necessary. He was able to exercise this independence because he had earned the municipalities' undying allegiance by promoting the myth that the H.E.P.C. was the trustee of a municipal cooperative. With department-like control diminished and the notion of a municipal cooperative popularized, Beck secured for the H.E.P.C. the autonomy of a crown corporation.

Beck did not fight for the H.E.P.C.'s autonomy simply to obviate government control. As a business it experienced such phenomenal growth in the twenty years following its inception that it required corporate-like financial practices. This growth resulted from Beck's unrelenting commitment to expand public ownership even though the H.E.P.C. had been created ostensibly to transmit power to municipalities in southwestern Ontario which the private sector would not serve from Niagara. With an unlikely strategy, he led the H.E.P.C. and the municipalities into direct competition with the private sector on generation, transmission and distribution. His objective was to undermine its monopoly-based worth in order to negotiate its subsequent purchase from a better position. Thus, he neither expropriated private companies nor nationalized them when their owners were ready to relinquish them, and he resisted other accommodations

to this end originating within the government.

Public and Private Sector Co-existence, 1906-7

The appointment of the first H.E.P.C. commissioners (where one of the three must and two could be selected from the cabinet) were made on June 7, 1906, the month following the creation of the H.E.P.C. The obvious candidate for the chairmanship was Beck, who had been a minister without portfolio since the Conservatives became the government in 1905. Indeed, it was likely that municipal leaders would have objected to anyone but Beck, given his leadership in the municipal movement and the two inquiry commissions which led to the H.E.P.C.'s creation. To balance Beck's enthusiasm, Premier James P. Whitney chose John S. Hendrie, a minister without portfolio like Beck, as the second commissioner, knowing he was associated with the private power interests in Hamilton. Initially, Hendrie resisted the call because he felt it would cause "friction", but accepted after Whitney assured him that the H.E.P.C. commissioners were to operate like a "committee of cabinet."[1] For the third and final appointment, Whitney selected Cecil B. Smith, the engineer for Beck's Hydro-Electric Inquiry Commission of 1905-6.[2] With two of the three commissioners in cabinet, the H.E.P.C. appeared to be subject to cabinet control approaching that of a government department.

The establishment of the H.E.P.C. had served to quiet long-standing public objections to private monopoly primarily because

its intended mission was to transmit power to municipalities which the private sector did not plan to service. The Power Commission Act, however, contained no such restriction nor any rules on how the public and private sector were to co-exist. Whether co-existence would involve segregated territory or direct competition mattered a great deal because the electric power industry had the characteristics of a natural monopoly.[3] The answer came within two months when the municipalities interested in contracting with the H.E.P.C. for local distribution, many of whom planned to compete with existing private companies, forged ahead without regard to their impact. On July 24, 1906, with Beck and Smith although not Hendrie in attendance, the municipalities formulated, according to Nelles, a standard bylaw for approving provisional contracts with the H.E.P.C. in the next municipal election, January 1, 1907.[4]

The municipal referenda in January 1907, all of which succeeded, established the H.E.P.C. in business in two important ways. First, they served as Beck's mandate to tender for a block of power from the private generating companies at Niagara and to contemplate constructing H.E.P.C. transmission lines to the contracting municipalities. Second, the referenda initiated unregulated competition between the public and private sectors. This outcome was most evident in Toronto, leaving the vertically integrated Electrical Development Company (E.D.C.), the focus of past monopoly resentment, in a precarious position. It had just begun to transmit power to its Toronto distribution and street

railway companies from its generating plant at Niagara the month before on December 20, 1906.[5] The fate of the E.D.C., however, was not yet settled. The second stage of the municipal approval process, approval of debentures for local distribution works, would not be reached until January 1, 1908.

Meantime, during the winter of 1907 two alterations were made to the H.E.P.C. as constituted in 1906. First, after seeing the H.E.P.C. through its first year and having assisted Beck in assembling a permanent engineering staff, Smith resigned on February 28th to become a consulting engineer. He was replaced by W.K. McNaught, who had been a strong advocate of public power while a member of the Toronto Board of Trade and had since become a back-bench Conservative M.P.P. in a 1906 by-election.[6] Second, Beck had the Power Commission Act amended on April 20th to strengthen the H.E.P.C.'s capacity to construct its own facilities, purchase power generated by private companies, and leave no doubt that municipalities contracting with it were exempt from the "Conmee Clause" of the Municipal Act, the provision which barred competition on local distribution.[7]

When the result of the H.E.P.C.'s tendering for a block of power became known, it raised the first of many public/private sector controversies. The fact of the matter was that the American owned Ontario Power Company (O.P.C.) had agreed to sell power cheaper than the Canadian owned E.D.C. To stave off the ruinous financial consequences of this outcome for the E.D.C., Whitney approached the O.P.C. privately with a proposal for a

shared contract. The O.P.C. rebuffed this overture, believing that the E.D.C.'s principals sought to "make themselves millionaires no matter what the cost might be to others." Although Beck was permitted to sign a contract with the O.P.C. on April 30, 1907, Whitney's manoeuvring nonetheless perturbed him. The reason was that he had already publicly committed the H.E.P.C. and the municipalities to open competition on transmission and distribution with the E.D.C.[8] The experience provided the first evidence that H.E.P.C. operations would not exclude political considerations.

The H.E.P.C.'s affairs were destined to remain enmeshed in politics because its existence, let alone any future success, did not bode well for the financial viability of the E.D.C. To forestall the E.D.C.'s demise, Whitney secretly continued to negotiate with the E.D.C. and O.P.C., this time for formal government regulation of territories for transmission. He did so knowing that this would require overriding some municipal votes, including Toronto's, and the O.P.C.'s signed contract with the H.E.P.C. These negotiations failed as well on October 4, 1907, but this time because the E.D.C. refused to submit to government regulation. According to James Mavor, the company believed that regulation was a breach of its 1903 franchise agreement's provision that the government would not generate power. Regulation, it claimed, promoted an alternate source of generation.[9]

Despite the E.D.C.'s intransigence with Whitney, the exemption from the Conmee Clause would lead it to see regulation

as protecting, rather than threatening, its interests.[10] This clause ensured that the second stage of the municipal bylaw referenda process, approval of debentures for municipal distribution works, provided a proper legal sanction for public/private competition. The exemption was especially important in Toronto, the major battleground of the two sectors, because both the H.E.P.C. and the E.D.C. needed this large market to be viable. To avert the prospect of local competition, the E.D.C. principals proposed three alternatives -- two levels of regulation and the sale of its Toronto Electric Light Company (T.E.L.) to the city -- but the conditions it attached to the offers scuttled any chance of a deal.[11] The E.D.C.'s fate then fell to the electors of Toronto on January 1, 1908. They authorized the city to construct distribution works with connections to H.E.P.C. transmission lines in direct competition with the T.E.L. as supplied and controlled by the E.D.C.

Private Ownership and Government Regulation, 1908-10

The failure of the E.D.C.'s principals to avert competition on both transmission and distribution led representatives of its bondholders to approach Whitney directly with new pleas for private ownership with government regulation in January 1908. This outcome was essential to straightening out the E.D.C.'s financial problems, but politically the appeal, coming after the January 1st municipal bylaw referenda, was too late. With regulation now ruled out, the E.D.C.'s joint-stock ownership was

brought to an end. Its total collapse was only averted when one of its principals, William Mackenzie, bailed-out the company on February 14, 1908. He created a holding company, the Toronto Power Company (T.P.C.), to administer all of the vertically integrated properties, after refinancing the E.D.C. through guarantees on his street railway properties.[12]

Despite Beck's initial victories in promoting the H.E.P.C., Mackenzie hoped that increased government regulation would prevail over public/private competition. His ground for this belief was a discussion he had had with Whitney in the summer of 1907, followed by a written proposal he made to the Premier in the winter of 1908. He proposed that the T.P.C. and the O.P.C. jointly own existing and new transmission lines and make contracts directly with municipalities. The government, for its part, would regulate the location of lines and the rates charged, and guarantee the bonds of private companies in order to keep costs down.[13] Whitney, however, never officially responded to Mackenzie's written proposition. He likely recognized that any decision favouring regulation was complicated by the fact that it would also serve as the government's decision not to permit the H.E.P.C. to build its own transmission lines. With an election on the horizon, it was not surprising that no immediate decision was made on this politically explosive issue.

With the plight of the defunct E.D.C. having previously garnered sympathy from the government, Beck acted to strengthen the H.E.P.C.'s hand with the government for the new round with

MacKenzie's T.P.C. He did so through the H.E.P.C.'s official thirty year contracts with the municipalities dated May 8, 1908. They promoted the view that the H.E.P.C. was a municipal cooperative rather than a government enterprise by stating that

> the [Hydro-Electric Power] Commission is to be a trustee of all the property held by the Commission under this agreement for the [municipal] Corporations and other municipal corporations supplied by the Commission ... . [emphasis added]

In addition, the billing scheme outlined in the contracts further buttressed the cooperative contention. It provided for twelve monthly payments at a fixed rate with an annual or thirteenth bill for adjustments and apportionments, an arrangement that would later be heralded as "cooperative accounting."[14] With these cooperative provisions included thereafter in all other municipal contracts, Beck laid the foundation for a powerful myth that the H.E.P.C. was not a government enterprise. More immediate, the municipal backing the cooperative contention received made it difficult for the government to accept MacKenzie's proposal for regulation.

Whitney was not in a position to impose regulation of private enterprise in place of public/private competition because he was not well situated to discipline Beck to this outcome. The reason was simply that Whitney wanted Beck's support in the June 8, 1908 election, which he received before winning another majority. Following the election, Whitney then decided against regulation, but his decision only became evident when contracts were signed August 13th for the construction of H.E.P.C.

transmission lines. This left Mackenzie feeling betrayed. He claimed that he had taken financial responsibility for the E.D.C. only on the basis of Whitney's private assurance that there would not be public/private competition on transmission of power. Although Whitney had not publicly rejected Mackenzie's offer, he denied giving the assurance. With the T.P.C.'s animosity now directed at himself, it was at this point that Whitney recognized there was no turning back on H.E.P.C. transmission lines without "practical ruin and humiliation" for the government.[15]

The decision to permit the H.E.P.C. to construct transmission lines was followed in the fall of 1908 by legal challenges to the validity of the contracts the cities of Toronto and London had signed with the H.E.P.C. At issue was a discrepancy between the bylaws passed by voters in 1907 and 1908 and the contracts signed with the H.E.P.C. These actions were mounted by local petitioners associated with the T.P.C. even though the government, with the election looming, had remedied this discrepancy by retroactively validating all the municipal bylaws and the H.E.P.C.'s contract with the O.P.C. by statute in May 1908.[16] By refusing to grant leave for the H.E.P.C. to be included in these legal actions, Whitney, acting in the absence of Attorney General J.J. Foy, hoped the controversy would be at an end. However, the government had to respond by statute again when the Mayor of Galt still refused to sign a contract with the H.E.P.C. In 1909 it legislated the Galt contract as "executed"

and placed all H.E.P.C. contracts beyond the jurisdiction of the courts.[17]

The T.P.C. reacted to the 1909 prohibition on legal challenges by petitioning for federal disallowance. Although the petition claimed that there was a federal interest in the matter because the Niagara River was an international boundary, the T.P.C. hurt its case by also stating that the Ontario legislation was unconstitutional in a political rather than a legal sense. The Ontario government countered that there was no federal interest in the matter because the river was completely navigable, and stated that power developments on the river could only fall under provincial jurisdiction of property and civil rights. In addition, Beck responded to the challenge. Through amendments to the Power Commission Act on March 19, 1910, he secured for the H.E.P.C. the power to regulate the construction and operation of municipal and private distribution and transmission works.[18] Thereafter, Prime Minister Wilfrid Laurier announced on March 29th that he would not invoke disallowance, even though he thought the 1909 legislation was "abominable". In his view, the Ontario action was unjust rather than ultra vires.[19] Notably, in the immediate aftermath of this decision, Whitney counselled the parties to resolve their differences. The T.P.C. then offered to sell the Toronto Electric Light Company to the City of Toronto, but again no deal could be reached.[20]

Public/Private Competition on Transmission, 1910-12

The competition between the public and private sectors was consolidated with the completion of the H.E.P.C.'s transmission lines to contracting municipalities, beginning with Berlin (now Kitchener) on October 11, 1910. Despite this milestone, Whitney acted to terminate the H.E.P.C.'s 1910 contract with the City of Hamilton and remove the H.E.P.C.'s new power to regulate municipal and private distribution and transmission works. His reason, undoubtedly, was that Beck's contributions to the protracted public/private sector conflict reflected negatively on his ability to manage the government. Through Bill 102, introduced on January 25, 1911, Whitney wanted to place the regulatory power in question with the Ontario Railway and Municipal Board. Besides usurping his authority, Beck was sceptical of these two changes for another reason. Hendrie, Beck's nemesis on the H.E.P.C., was associated with the private utility interests in Hamilton, he had led the creation of the Railway and Municipal Board in 1906 and he was chairman of the Legislature's railway committee. In the resulting clash, Whitney did not proceed with the Bill's passage, allowing it to be withdrawn on February 20th at second reading.[21]

Whitney also raised the issue of the H.E.P.C.'s relationship with the government during the campaign for the December 11, 1911 election. He declared that the H.E.P.C. should be "discontinued" and replaced with a "department of power." Not surprisingly, Beck was against this scheme as well. According to

Nelles, he felt it would place the H.E.P.C.'s "policy and expenditures under the scrutiny of the full cabinet and, therefore, into the range of all other government programs and spending priorities."[22] The election gave Whitney a third consecutive large majority, but he took no action on altering the H.E.P.C.'s status.

Although Beck had not challenged Whitney's pronouncement either during or after the election, he benefitted from the parliamentary and extra-parliamentary opposition which developed to the plan. The new Liberal leader, N.W. Rowell, came to the defence of the H.E.P.C.'s structure as a means of keeping patronage out of its affairs, and repudiated his predecessors' objections to the H.E.P.C. in the process. Whitney's declaration also led municipal leaders to protest that the plan constituted "confiscation" of their cooperative ownership of the H.E.P.C. With this opposition behind him, Beck was able to announce on January 11, 1912 that the H.E.P.C. would not become a department of government. Merrill Denison writes that with Whitney's retreat, the H.E.P.C. became "quasi-autonomous".[23]

In the month following Beck's announcement, the H.E.P.C.'s new quasi-autonomous status gained interest group support. In February 1912, the municipal 'movement' left dormant following the creation of the H.E.P.C. in 1906 was reconstituted as the Ontario Municipal Electric Association (O.M.E.A.) with the explicit objective of supporting Beck. Although there had been rapid growth in the number of municipalities which had con-

tracted for power since 1907, their collective voice had not been kept organized. The O.M.E.A. addressed this challenge in its statement of purposes. Advocating the view that the H.E.P.C. was the trustee of a municipal cooperative, it called for "united action" in promoting the "interests of the municipal electric undertaking of the Province" [emphasis added], particularly by working in "conjunction" with the H.E.P.C. and by proposing legislation of "advantage" to the undertaking as defined. In the result, the O.M.E.A. would provide Beck with what Nelles describes as "bipartisan, extra-parliamentary authority." It would also give him, in Plewman's view, unfailing support as both a "sounding board" for his policies and as a "political weapon" in his battle to keep the H.E.P.C. free from the government's dictates. The O.M.E.A.'s confidence in Beck, he suggests, was "unbounded".[24]

Among the O.M.E.A.'s first acts was a call on the government to provide Beck a salary commensurate with the responsibilities of a chairman of a large utility. The Power Commission Act was amended accordingly on April 16, 1912 to permit the cabinet to set a salary of up to $6,000 in addition to the small remuneration Beck received as a cabinet minister. Notably, the Act was also amended to reconfirm Hamilton as an H.E.P.C. municipality and strengthen the H.E.P.C.'s powers to regulate transmission and distribution matters, this time explicitly in lieu of the Ontario Railway and Municipal Board.[25] Although the salary provision was a move toward a corporate-like organ-

ization, it did not alter the form of the H.E.P.C.'s department-like subservience to government. For instance, Beck's new salary was to come out of appropriations, as did all H.E.P.C. expenditures, rather than revenues, which were still to be turned over to government in full.

The American Critique of the H.E.P.C., 1912-13

The H.E.P.C. continued to receive criticism for its very existence, despite a reprieve from the T.P.C. A joint committee of the New York State Legislature chaired by Senator T. Harvey Ferris commented in its first report on water power in January 1912 that regulation would have served the same purpose as public ownership in Ontario.[26] Then, in a second report in January 1913, undertaken as a cost/benefit analysis of adopting the H.E.P.C. scheme in New York State,[27] it concluded that the H.E.P.C. was a failure by "business and economic standards." Notably, this report attributed the failure to supplying power below cost, and thereby belittled the H.E.P.C. benchmark of 'at-cost' power. Although the report surmised that the failure was a result of pressures to prove that the system could deliver 'cheap power,' and thus keep favour with the public,[28] the effect of its criticism in Ontario was not entirely negative. It drew attention to Beck's essentially populist operation of the H.E.P.C., the factor that made it such a political success.

The Ferris Committee's criticism was expanded upon and given wider dissemination in a 1913 book by Reginald Pelham

Bolton, a New York engineer who had greatly influenced the Committee's 1913 findings. His general point, like that of the first Ferris report, was that the public interest would have been better served by regulation of rates and that public credit should not be used to force competition where it was "naturally unsuited."[29] His more damning criticism, expanding on the second Ferris report, was that the H.E.P.C.'s rates were "arbitrarily and adroitly" set to undermine private companies.[30] What Bolton saw as unprofitably low rates, however, the H.E.P.C. viewed as a "promotional" rate structure. In essence, the H.E.P.C. claimed that it used low rates to stimulate "greater economy of operation" through increased load density, and then passed on the savings to consumers to continue the cycle. Although this may have constituted uneconomic consumption, it won immense public approval.[31]

The success of the H.E.P.C.'s low rate strategy increased Beck's capacity to shape the character of the electric power industry in Ontario. From this position he chose to argue against a rationalization of the industry through nationalizations. This was made evident in 1913 when Whitney considered purchasing the T.P.C.'s generation and transmission companies and the City of Toronto sought to purchase the T.P.C.'s distribution and street railway companies. Beck objected to both schemes because the purchases would be made from weak negotiating positions, causing prices to be high. He wanted to wait out the Toronto franchises in order to remove the market for the

T.P.C.'s generation and transmission companies, and thereby undermine the value of the whole package.[32] Thus, Beck felt that competition would, in the end, rationalize the industry. According to Mavor, this was an "insidious" policy because it was sustained by the H.E.P.C.'s capacity to set rates at a point where their consequences would be "ruinous" for private companies.[33] Whether the rate was arbitrary or promotional, Beck was beginning to gain the influence he sought to shape the industry.

Beck's Scheme for the H.E.P.C., 1913-14

Although the political popularity of the H.E.P.C. had been good for the government, the government was reluctant to support Beck's ambitious plans for the H.E.P.C. There were three points of controversy. First, Beck wanted a stronger government commitment to inter-city electric railways, or radials, than he had received in the Hydro-Electric Railway Act, 1913.[34] Second, Beck wanted to move the H.E.P.C. into the field of generation, particularly through competition with private companies at Niagara, leaving behind its self-imposed (rather than statutory) limitation to transmission.[35] Third and finally, Beck insisted on a division of labour in the public sector where the H.E.P.C. controlled transmission and generation with the municipal utilities restricted to local distribution of H.E.P.C. power.

Beck's third demand surfaced as a result of Toronto Hydro, which was still in competition with the T.E.L., having rejected

rate reductions ordered by the H.E.P.C. Toronto Hydro was intent on raising capital ostensibly for a backup steam generation plant of its own. Although its 1908 contract with the H.E.P.C. permitted it to generate power in emergencies or to reduce peak demands, Beck felt that the plan trod on the H.E.P.C.'s responsibility. In this dispute it was notable that one of the three Toronto commissioners, R.G. Black, was formerly general manager of the T.E.L. and the chairman, P.W. Ellis, had sided against Beck over provincial government involvement in the electric power industry in 1906. With these machinations, Beck also stood adamantly opposed to the plan because he felt it would benefit the T.E.L. and hurt the integrity of the H.E.P.C.[36] When the government hesitated to do his bidding on this and his other two demands, he threatened to bring it down.

The government heeded one of Beck's wishes by passing a new radials Act in the spring of 1914. It also amended the Power Commission Act on the recommendation of the O.M.E.A. to provide for combined salaries of up to $15,000 for the commissioners in addition to the $6,000 Beck already received from the government.[37] Nevertheless, Beck remained dissatisfied. He was only appeased, according to Plewman, when Whitney, in the last days before the June 29, 1914 election, promised to support his other two demands. This paved the way for Beck to endorse the government and Whitney to go on to win a fourth consecutive large majority.[38] In the process, Beck had weakened the government's department-like political control over H.E.P.C. policy. And the

government, by establishing that the new salary compensation be raised by municipal levy, bolstered the notion that the H.E.P.C. was a municipal cooperative. Both developments reinforced the H.E.P.C.'s growing corporate autonomy from the government.

As for Whitney's other two promises, the government did permit the H.E.P.C. to enter the field of generation in 1914, although not through competition or nationalization at Niagara. Having been successful as a transmission company since 1910, the H.E.P.C. completed the construction of its first small generating station in 1914 and would purchase other existing small plants shortly thereafter. With these plants located north of Toronto and needed primarily to meet H.E.P.C. commitments in new hydro municipalities out of reach of Niagara, they did not satiate the growing demand in the existing serviced municipalities where war mobilization now exacerbated the problem. For the latter, Beck would have to expand power purchases from the existing private companies at Niagara in 1915 while waiting for Whitney's commitment to permit the H.E.P.C. to generate power there to be honoured.[39] As for the provincial-municipal division of labour in the public sector, it would not be acted on until the 1915 legislative session.

After the 1914 election three significant departures from cabinet further eroded the H.E.P.C.'s department-like relationship with the government. First, Whitney, who was 72 years-old and in failing health, died on September 25th. Second, following Whitney's death Beck resigned from cabinet, claiming the

H.E.P.C. demanded his full-time attention. And, third, Hendrie, the other cabinet minister who had been an H.E.P.C. commissioner from its inception, resigned that September on being named Lieutenant-Governor of Ontario. The only other commissioner, W.K. McNaught, was not in a position to renew the department-like relationship. Not only was he not in the cabinet, at 69 years-old he had not stood for re-election to the Legislature. In sum, a vacuum had been created in the political control capable of being exercised over the H.E.P.C. and it was likely that it would never be filled to the same degree while Beck remained chairman.

With Whitney and Hendrie no longer around to restrain him, Beck's desire to operate the H.E.P.C. with corporate-like business autonomy depended only on the disposition of the new premier and the new appointee to the H.E.P.C. to replace Hendrie. Whitney was succeeded as premier by William Howard Hearst, the member for Sault Ste. Marie, on October 14th, but Hearst was not well positioned to challenge Beck. He had had little opportunity or reason to familiarize himself with the H.E.P.C. because he had not been party to its creation, having been first elected in 1908, and he had no other connection to the H.E.P.C., having come from the north and been Minister of Lands and Forests from 1911 to 1914. To make matters worse, Beck was passed over for the premiership in favour of Hearst, who Peter Oliver suggests had only "grey competence."[40] Hearst's weak standing with Beck meant that the attitude of the new appointee to the H.E.P.C.,

who by statute had to come from cabinet because Beck and McNaught did not, was critical to whether a strong department-like linkage would continue to exist with the government. Attorney General I.B. Lucas was appointed, but his ability to personify this connection would be complicated by the fact that Beck remained in the Legislature. According to Nelles, Beck began to suggest at this time that the H.E.P.C. was directly responsible to the Legislature through him as chairman.[41]

Beck and the Hearst Government, 1915-16

The H.E.P.C.'s dispute with Toronto Hydro over rate reductions and municipal generation was resolved through amendments to the Power Commission Act during Hearst's first legislative session as premier in 1915. Although the amendments did not explicitly dictate that municipal hydro commissions could not generate their own power, they accomplished the same objective by less heavy-handed means. First, the Act now made explicit that the municipalities and their agents were duty bound to uphold the terms of their long-term contracts with the H.E.P.C., with the latter able to seek court injunctions to enforce the provisions. The significance of this amendment was that the contracts signed in 1908 and afterwards stated that municipal hydros had to take power "exclusively" from the H.E.P.C., save the exceptions of emergencies and reducing peak requirements. Second, the Act now permitted the council of a municipality with over 100,000 people to create an appointed commission of three consisting of the

mayor, one council appointee and one H.E.P.C. appointee. With Toronto Hydro subsequently organized as such, the H.E.P.C. was able to exercise informal influence in its affairs. And, third, and undoubtedly triggered by Hendrie's associations in Hamilton and the presence of Black, formerly of the T.E.L., sitting as a Toronto commissioner, strict provisions were established to bar persons with financial interests in private electric companies and manufacturing industries from holding appointed or elected positions with local hydro commissions.[42]

In response to Beck's domineering manner and his operation of the H.E.P.C. as if it had corporate-like autonomy, the government set out to constrain him on three fronts in 1916. With Hearst at a loss on how to deal with Beck privately according to Oliver, the actions were taken in public. For starters, Attorney General Lucas, the minister on the H.E.P.C., secured amendments to the radials Act that halted bond issues and construction on Beck's cherished scheme until after the war. Although this particular constraint occurred with the least fanfare, Beck nonetheless believed that radials would not take capital and materials away from the war effort.[43] On the two other fronts, Oliver reports, Hearst unleashed his cabinet "firebrands", Minister of Lands and Forests G. Howard Ferguson and Provincial Treasurer T.W. McGarry.[44] Ferguson would undercut Beck's general strategy of competing with private companies while waiting out their leases and McGarry would seek to end Beck's management of the H.E.P.C.'s finances, contrary to the

Power Commission Act, in a corporate rather than departmental manner.

As the political minister for eastern Ontario, Ferguson was anxious to advance the expansion of the H.E.P.C. into that region, but Beck did not appreciate his interest. In Beck's view, the local municipalities, having not held a vote to contract with the H.E.P.C., had not expressed their displeasure with the existing private companies. A more plausible reason for his position, with which Ferguson must have been aware, stemmed from the fact that Beck had unsuccessfully attempted to purchase the Central Ontario Power Company, owner of the numerous local systems, in 1915. When the purchase offer was refused, Beck had decided to enter into direct competition with the company.[45] Ferguson, however, had a different agenda. He had legislation passed in April 1916 that authorized the Ontario government to expropriate the company and the H.E.P.C. to operate it on the government's behalf. Beck accepted it on these terms only reluctantly, believing that the local municipalities would not accept the debt obligations that stemmed from the high price paid by Ferguson.[46]

McGarry, for his part, set out to reverse the loss of cabinet control over the H.E.P.C.'s finances. This was a problem which had been building for many years, but one which had been exacerbated by Beck's departure from cabinet in 1914. Indeed, as Christopher Armstrong reports, Beck had "scant regard for any interests but his own and his organization" after Whitney died.

Although Beck did mitigate the problem somewhat by continuing to explain the H.E.P.C.'s estimates in the Legislature, the overall arrangement was less than satisfactory according to Alexander Brady because he exerted little effort to keep the cabinet informed.[47] In 1916, the cabinet could no longer avoid the problem because Provincial Auditor James Clancy had reported, first, that no audit had ever been completed on the H.E.P.C. because Beck refused to disclose the pertinent information, and, second, that between 1909 and 1914 the H.E.P.C.'s expenditures exceeded appropriations by more than $4 million.[48] The latter was a serious charge. It indicated that Beck had been applying the H.E.P.C.'s revenue directly to expenditures when, statutorily, he was supposed to turn all revenues over to the provincial treasurer and make expenditures out of appropriations.

Following these revelations, McGarry had ordered an external audit of the H.E.P.C.'s accounts by chartered accountant E.R.C. Clarkson. In March 1916, Clarkson stated publicly that the problems resulted, first, from "the absence of even a semblance of legislative control over the expenditures of the Commission," and, second, from the "seemingly defiant disobedience of the Act creating the Commissioners with their powers and duties."[49] Despite these findings, he recommended in his report to McGarry that the Power Commission Act be amended to conform with the existing financial practices, rather than the reverse as McGarry had sought.[50]

Not surprisingly, McGarry also faced resistance to his view

from Beck, who remained unrepentant in the face of the provincial auditor's and Clarkson's findings. Beck defended his operation of the H.E.P.C., according to Brady, on the grounds that the control outlined in the Power Commission Act, including the department-style audit, was unworkable. Thus, Beck not only accepted personal responsibility, he countered that the H.E.P.C. required the "latitude and confidence" of corporate-like business autonomy.[51] Moreover, as a result of this dispute between McGarry and Beck, which was between statutory departmental controls and corporate-like financial practices, the government was facing pressure from the O.M.E.A. for direct representation on the H.E.P.C. With this scheme in line with Beck's objective of removing the H.E.P.C. from government control, it was rejected according to Mavor because it would have reduced the government's and the Legislature's already "nominal" control.[52]

In the end, the amendments McGarry made to the Power Commission Act in April 1916 reflected a compromise with Beck. Of the two groups of amendments regarding the administration of the H.E.P.C.'s accounts, one set allowed corporate-like financial freedom and the other augmented the H.E.P.C.'s financial accountability to the government.[53] On the first, the H.E.P.C. was permitted, following the Clarkson report's outline, to establish a reserve fund for renewal of its works. This meant that the H.E.P.C. could now apply its revenues, save those specifically devoted to sinking fund and interest, directly to

expenditures. This was a significant concession because it permitted corporate-like financial practices. It was partially offset, however, by the provision that appropriations were now to be paid over only after specific requisitions received cabinet approval. Consistent with this autonomy, the H.E.P.C. was to select its own auditors, among whom the provincial auditor was eligible, for an annual audit.[54]

The second set of amendments, those to increase government supervision, centred on a new requirement for the H.E.P.C. to submit an annual financial report. Although the H.E.P.C. had done so informally since 1908, the Power Commission Act now specified that the annual report must disclose both current and expected assets and liabilities, income and expenses, receipts and disbursements, and securities and indebtedness. With these features, the report had the appearance of a marker for corporate autonomy, but on balance it was an instrument of department-like control. The reason was that the cabinet was given the power to appoint an H.E.P.C. comptroller whose statutory responsibility was to supervise its financial records and submit the annual report to the cabinet for the "information" of the Legislature.[55]

Not surprisingly, Beck and the O.M.E.A. rallied against the provision for a comptroller. Their opposition led to another compromise being struck in a 1917 amendment to the Act. This one lessened the comptroller's supervisory power to that of making recommendations to the H.E.P.C. commissioners and permitted the

H.E.P.C. to nominate the comptroller with the cabinet left only to approve the appointment. Even with these concessions, however, the statutory requirement that the annual report be submitted through the comptroller would be repealed in 1918. And, without a comptroller ever having been hired, the function would be dropped when the Power Commission Act was consolidated in 1927. Moreover, the 1918 amendments to the Act would strengthen the contention that the H.E.P.C. was the trustee of a municipal cooperative. The Act now required the annual report to detail the sinking fund contributions of each municipality, drawing attention to the fact that the municipalities, not just the government, had a financial stake in the H.E.P.C. Beginning in 1919, these contributions would be itemized, much to the government's chagrin in later years, as "equity in the H.E.P.-C."[56]

Public/Private Competition at Niagara, 1916-17

Beck had won the corporate autonomy struggles with the government in 1916 and 1917 in part because their importance had become displaced by the need for new sources of power to meet war demand. With only Beck capable of delivering power quickly, the government opened three avenues for the H.E.P.C. to facilitate power production. Through statutory enactments in 1916 and 1917, the H.E.P.C. was permitted, first, to enter the field of generation at Niagara, having had this decision held in abeyance since the 1914 election, second, to buy-out existing plants and,

third, to regulate the private sector.

The first avenue followed from the passage of the Ontario Niagara Development Act, 1916. This Act set out the terms on which the H.E.P.C. could proceed with preliminary work on its own generating station, one that would operate in direct competition with the private sector.[57] Hearst stipulated, however, that before further legislative approval would be granted that extraordinary referenda were to be held in the H.E.P.C.'s contracting municipalities in the municipal elections on January 1, 1917. Beck and the O.M.E.A. responded to the challenge by organizing campaigns that garnered the necessary public approval. Although the larger effect of Hearst's demand was that it bolstered the notion that the H.E.P.C. was the trustee of a municipal cooperative, it also solidified for the government the public support necessary to counter private sector opposition. On January 2nd Hearst promised the supplementary legislation for the Queenston-Chippawa power development planned by Beck and Beck announced that the project would cost $30 million for the station and $20 million for the water diversion canal. At 500,000 horsepower, it would be the largest electric station in the world.[58]

The Ontario Niagara Development Act, 1917, in supplement to the 1916 Act, not only sanctioned Beck's scheme to compete with private companies on generation at Niagara, it also increased the H.E.P.C.'s autonomy from government on two fronts. First, the H.E.P.C. was permitted to issue its own bonds for the

construction of the project and offer, subject to cabinet approval, a government guarantee. This gave the H.E.P.C. an important marker of corporate autonomy by exempting the project from the normal departmental controls over raising capital. Second, the Act specified that the H.E.P.C., for the purposes of the works constructed under the Act, was a "trustee" for its contracting municipalities.[59] The inclusion of this latter provision gave further substance to the claim that the H.E.P.C. was a municipal cooperative, and presumably helped to insulate the government from private sector complaints. Both the bond and trustee provisions fit Beck's persistent campaign to undermine government control.[60]

With the Queenston project representing an assault on what had been the last preserve of the private sector, generating power at Niagara, the T.P.C. responded by launching a court action. For its case, the T.P.C. looked to its franchise agreement's provision that the government would not generate power. It did so even though the H.E.P.C. had received a statutory exemption.[61] When Attorney General Lucas, who was also an H.E.P.C. commissioner, refused to grant leave for the suit to proceed, the T.P.C. petitioned for federal disallowance, arguing that the Ontario Niagara Development Acts of 1916 and 1917 were "illegal competition." Lucas reminded the federal justice minister, C.J. Doherty, of the 1909-10 precedent on the matter set by Laurier, and on May 4, 1917 Doherty refused to intervene.[62] By refusing the petition, he confirmed the H.E.P.C.'s statutory

power to compete with the private sector on generation at Niagara, but this would not be the T.P.C.'s last legal challenge.

The second avenue opened for the H.E.P.C. to attain new power sources, the buy-out of existing companies, came through amendments to the Power Commission Act in 1917. The H.E.P.C. was now allowed (1) to acquire private companies through share purchases, (2) to issue securities to pay for the shares, and (3) to clothe the securities with a government guarantee if it had received cabinet approval.[63] The ability to purchase private generation companies was critical to the feasibility of the Queenston project because Beck needed control of the Ontario Power Company's unused water rights for the planned water diversion. Thus, he acquired all the shares of the company in August 1917 for $22 million in H.E.P.C. securities.[64]

Regulating the Private Sector, 1916-18

The third avenue opened for the H.E.P.C. to expand power production, government regulation of private generating capacity, would lead to a second T.P.C. call for federal disallowance in 1917. The Water Powers Regulation Act, 1916, initiated by Beck, had permitted the cabinet to appoint an inspector to investigate all power producers for, among other things, the quantity of water available, permitted and used, and the quantity of power available, permitted and developed. The purpose was to enable the inspector to make orders for maximizing efficiency.[65] Beck, who was appointed the inspector, had used his new power to

extract 50,000 horsepower from Canadian Niagara Power Company and charge the T.P.C. with producing 11,000 more horsepower than its franchise permitted. The T.P.C. responded in February 1917, objecting to the anomalous situation of being regulated by its competition.[66]

In response to the T.P.C.'s unwillingness to be regulated, Beck countered by securing a 1917 amendment that strengthened the Water Powers Regulation Act. This enactment permitted the cabinet to appoint three supreme court of Ontario justices to inquire into an inspector's charges. If they reported that a company had made an infraction under the Act or had unused capacity, the cabinet could order the company to turn over power to the H.E.P.C.[67] This amendment was well crafted by Beck because he knew the T.P.C. had installed capacity of 25,000 horsepower more than its franchise permitted. However, when he tried to obtain this power, the T.P.C. petitioned again for federal disallowance.

The T.P.C.'s petition was notable because it complained, among other things, that the legislation in question, and historically all H.E.P.C. legislation, had been purposely held back until the end of the session to prevent debate.[68] Lucas' formal response to the petition argued that not only were the Acts intra vires, but that the company had illegally produced more power than permitted. Doherty, the federal justice minister, immediately refused to disallow the 1916 Act (which had provided for the inspector) and, after reserving judgement,

reported on April 24, 1918 that he could not recommend disallowance of the 1917 amendment. The next day, April 25th, the Ontario cabinet ordered the T.P.C. to deliver the power to the H.E.P.C.[69]

Despite the intractability of their positions, the years of bitter competition between the H.E.P.C. and T.P.C. neared an end in 1918. In that year, negotiations began for the former to buy the latter's properties, but neither side appeared too anxious. The T.P.C. wanted $45 million, but Beck offered only $27 million. Although no deal was worked out, it was clear that one would be forthcoming. The T.P.C. needed to sell before its Toronto distribution and street railway franchises ran out in 1919 and 1921, respectively. If it did not, their value and that of the T.P.C.'s generation and transmission companies would be severely diminished. For its part, the H.E.P.C. needed to buy the T.P.C. because it was facing a power shortage that would not be met before the Queenston-Chippewa development could be completed.[70]

Beck and the U.F.O. Government, 1919-21

Although the war had expedited Beck's plans for generation at Niagara, it had caused his plans for radials to be put on hold. They were only revived when the 1916 statutory restrictions on financing and constructing radials were repealed following the war in 1919. Despite a number of factors like increased automobile use having diminished earlier public enthusiasm for radials,

Beck forged ahead, openly blaming the change of prospects for his scheme on a lack of commitment by Hearst. Undoubtedly aware that a conflict with Beck would not bode well for his government, then stretching into its fifth year, Hearst responded that he had only been respecting Beck's dictate that the H.E.P.C. be kept out of politics. The conflict would nevertheless continue, and contributed to the government's defeat. In the campaign for the October 19, 1919 election, Beck sent an unmistakable signal to voters on the radial issue when he bolted party ranks to run as an independent hydro candidate.[71] In the result, the United Farmers of Ontario (U.F.O.), a new party, won 45 seats and formed a coalition government with 11 Independent Labour Party (I.L.P.) members, leaving 29 Liberals and 25 Conservatives in opposition. Beck, Hearst and Lucas were all personally defeated.

Beck's unrelenting desire to operate the H.E.P.C. with corporate-like autonomy would bring the new U.F.O. government to seek to undermine him, but only after it failed to bring him on-side. First, with the U.F.O. having won the election without a leader, he was given consideration for the premiership, but the parties differed over the autonomy of the H.E.P.C. Second, the premier chosen, E.C. Drury, asked Beck to join his cabinet <u>with</u> portfolio for power, but Beck rejected the offer, as he had in the past, as a matter of principle.[72] Although this rejection suggested that Beck felt he was unassailable, he was concerned about his tenure as chairman. Indeed, he orchestrated at this time an O.M.E.A. call, first, to fix the chairman's term at six

years, (one year beyond the maximum possible life of the U.F.O. government), and, second, to expand the number of commissioners to five from three, with the additional two to be nominated by the O.M.E.A.[73] Drury did not act on either recommendation.

Although Drury wanted an H.E.P.C. chairman who sat in cabinet, the knowledge that Beck continued to be popular with the public, the O.M.E.A. and the I.L.P. explains why he did not remove Beck. Notably, Drury did not even act to control Beck through his government's power to appoint the two other commissioners. Although he did make one appointment in 1919, Lt. Col. Dougall Carmichael, a minister without portfolio, this was only to meet the statutory requirement for one to two cabinet ministers to sit as commissioners. Moreover, this appointment only filled the vacancy created by the death of the third commissioner, McNaught, in February of that year. Drury, surprisingly, did not request that Lucas, the attorney general in the Hearst government, resign as the second commissioner. Ironically, Carmichael had run against and defeated Lucas in the election and then urged Drury to keep Lucas on the H.E.P.C.[74] By not appointing a second U.F.O. loyalist, Drury left Beck with the potential to control two of the three H.E.P.C. votes, indicating that he had not initially resolved to restrain Beck.

Nonetheless, Beck's operation of the H.E.P.C. was anathema to Drury's sensibilities. It would leave the two destined for conflict because the Premier had, in Nelles' words, an "intuitive scepticism of big government, debt and bureaucracy."[75] Drury

quite soon had cause for alarm when he discovered the extent of the financial commitments that were necessary to complete both the Queenston project, already under construction, and the extensive radial projects ready to be initiated. And this was only part of the problem. Presently, he was informed that the projected cost for Queenston was quadruple the original estimate, that Beck had spent $3.5 million more than he had in appropriations, and, worse still, that Beck had used estimate padding to generate funds for projects that lacked authorization. As for radials, Beck had proceeded with some construction on the basis of mere promises of authorization from Hearst prior to the election.[76] These findings would lead Drury to challenge Beck's stewardship of the H.E.P.C. because Beck had subverted the cabinet's power to control taxation and spending, central tenets of responsible government which Drury refused to disregard.[77]

Since the radial program was not yet fully under way, it became the focus of Drury's effort to restrain Beck generally and the government's debt commitments for the H.E.P.C. in particular. Two actions were taken. First, Drury appointed Justice R.F. Sutherland of the Supreme Court of Ontario to lead a royal commission investigation on radials on July 15, 1920. Second, he refused to guarantee further radial bonds until the Sutherland Commission reported.[78] Drury had initiated the investigation primarily to substantiate his belief that the proposed radials would hurt the credit of the government and not

be viable alongside the government's own plans for a network of provincial highways.[79] The latter, part of the U.F.O.'s election platform, were advocated as an alternative to radials and designed to meet the recent and rapid growth in automobile use.

While the Sutherland Commission was investigating radials, Beck announced on December 5, 1920 that an agreement had been reached on the purchase of the T.P.C. properties. Dubbed the "clean-up deal," it was intended to transfer the T.P.C.'s generation, transmission, distribution and street railway companies into public hands for $32.7 million. The announcement, in Plewman's view, represented the "surrender ... of the citadel of private power interests in Ontario."[80] In the event, the deal was to be segmented. In May of 1921 statutory approval was only granted to the City of Toronto to purchase the electric distribution and street railway properties within city limits.[81] The remainder of the deal would not be completed until 1924.

Beck held up the remaining elements of the clean-up deal, according to Plewman, in order to gain leverage in his struggle with Drury over the future of radials. Moreover, the 1921 segment of the deal served his grandiose plans for radials by permitting the City of Toronto to transfer to the H.E.P.C. east and west radial entrance right of ways. Drury, for his part, sought further leverage on the issue of radials when he finally removed Lucas from the H.E.P.C. in July 1921 and replaced him with Fred R. Miller. Miller, notably, had not only pledged to vote with Carmichael against Beck on the use of H.E.P.C. funds

for municipal radial referenda; he was also a member of the Toronto Transit Commission, a body aligned against Beck's ambitious plans for the radial entrances. Beck responded to Drury's action by naming the deposed Lucas as the H.E.P.C.'s general solicitor.[82]

The Sutherland Report and the Gregory Commission, 1921-23

Drury's position on radials was bolstered when the Sutherland Commission reported on July 31, 1921. Its main points were that radials would never be self-supporting, were too costly to be undertaken at the same time as the Queenston-Chippewa project, and should not be allowed to proceed until the merits of the provincial highway system could be gauged. In general, it concluded that radials were not an "essential public utility of real necessity."[83] The report's impact was blunted shortly thereafter, however, when a minority report by Fred Bancroft, a senior I.L.P. M.P.P., expressed the exact opposite sentiment on August 8th. Despite the implications for the U.F.O.'s coalition with the I.L.P., Drury nevertheless vowed on August 24th to repeal the provisions of the radial Act which delegated executive decisions to the H.E.P.C. and committed the government to guarantee radial bonds.[84] Not to be outdone, Beck instructed the municipalities to proceed with their radial plans and condemned the conclusions of the Sutherland report in a published counter-report on February 10, 1922.[85] He could afford to be so bold and defiant at this time because the Queenston generating station

had begun producing power on December 29, 1921 to great fanfare.

The reprieve Beck enjoyed following the completion of the Queenston station was interrupted by the release of a second report on February 10, 1922, one which compared the H.E.P.C. unfavourably with American privately owned and publicly regulated utilities. Although this report, written by consulting engineer W.S. Murray, praised Beck as a man of "high esteem" and the H.E.P.C.'s accomplishments as "remarkable", it argued that the H.E.P.C. would never have been created if the privately owned utilities in Ontario had been regulated as extensively as they were in some jurisdictions in the United States. Moreover, with the then current rates in Ontario being comparable with those in California, the best example of regulation, it concluded there was no advantage to public ownership.[86] The H.E.P.C. responded to this challenge with a published "refutation" that claimed the Murray report's findings were "worthless" and would fall into "disrepute" like the earlier American critiques.[87]

Although publication of the Murray report was a blow to Beck, his reprieve was not brought to an end until March 3, 1922. On that day, the U.F.O. cabinet minister on the H.E.P.C., Carmichael, tendered his resignation to Drury because he was unable to explain the discrepancy between the H.E.P.C.'s 1921 estimates and the costs for Queenston in that year. The offer, which was rejected, was undoubtedly made for political effect. With Drury having previously chided Beck for submitting estimat-

es unseen by the two U.F.O. commissioners, he had known of the problems.[88] Nonetheless, Carmichael's offer served Drury admirably as a vehicle to draw public attention to the huge cost over-runs for the Queenston-Chippewa project. It also served as his pretext for appointing another royal commission on April 13, 1922. Chaired by W.D. Gregory, it was established as a full scale inquiry into the H.E.P.C.'s operation, not just the Queenston project.[89]

With the H.E.P.C. on the defensive, the expected showdown between Drury and Beck over the future of radials did not materialize. Instead, their conflict was resolved through a compromise in June 1922. In essence, Beck agreed to approve the remaining radial portions of the clean-up deal and Drury agreed to permit part of the radial program to continue. For existing radials, including those transferred to the City of Toronto and the H.E.P.C. as part of the clean-up deal, the provisions of the Hydro-Electric Radial Act, 1914, as amended, continued to apply. For all new and contemplated radials, however, Drury's Municipal Electric Railway Act, 1922 would supplant the 1914 legislation, save for the exception of Beck's proposed Toronto to St. Catharines line.[90] The new Act closely followed the recommendations of the Sutherland report, especially the provision that the government should not guarantee radial debts.

The turn of events for Beck's H.E.P.C. empire under the Drury government did not augur well for its continued autonomy from government. Brady suggests that Beck countered this dev-

elopment by engineering a resolution at an O.M.E.A. conference in Hamilton on April 4, 1923. It was designed to gain the H.E.P.C.'s independence from the government, offering

> to take such steps as will relieve the Provincial Government from all financial responsibility and place the administration of the Hydro-Electric System in the hands of the municipalities who are the owners and are financially responsible for the undertaking.[91]

The resolution was the culmination of Beck's numerous rearguard retorts to Drury's challenges and was likely made with the knowledge that an election was imminent. In sum, Beck had argued that the H.E.P.C. was the trustee of a municipal cooperative, and thus not subject to the restraints on a government department or crown corporation. Drury, for his part, had argued equally vociferously that responsible government dictated that he exercise control over the H.E.P.C. This conflict continued into the 1923 election with Beck working to defeat the government and Drury defending the propriety of his actions. Neither Drury's nor Beck's position, however, would be vindicated in the 1924 report of the Gregory Commission.

The 1923 Election

Although Drury had effectively suppressed Beck's radial program, it was a small consolation that did not serve his party well in the June 25, 1923 election. The platform of the Conservatives under G. Howard Ferguson, the party leader since December 2, 1920, was that the U.F.O.'s actions represented a "repudiation of the principle of public ownership itself and a denial of

cheap transportation to the working man." Oliver concludes that the charge was effective because it was accompanied by the "restoration" of the H.E.P.C.'s "alliance" with the Conservatives through the return of Beck to the party's fold as a candidate.[92]

The irony of Beck running against the government while serving at its pleasure did not escape Drury, but he knew there was electoral danger in campaigning against Beck and the H.E.P.C. Drury still managed, however, to incur the wrath of municipal leaders when he innocuously suggested that the municipalities would not be able to run the H.E.P.C. without financial assistance from the government. According to Plewman, his statement was interpreted to mean that the H.E.P.C. was not cooperatively owned by the municipalities.[93] The municipal cooperative myth, revived by the O.M.E.A.'s resolution two months before the election, had contributed to the defeat of the government. The election gave Ferguson a large majority with 75 Conservative seats to 17 U.F.C., 14 Liberals and 4 I.L.P.[94]

The outcome of the election was not the blessing Beck might have presumed. Although he had refused to be included in the Hearst and Drury cabinets, he was not in a position to refuse Ferguson's call in 1923. The new premier, who according to Oliver was "master" of his cabinet, was not prepared to be "coerced or ignored" by Beck.[95] Ferguson, furthermore, would be aided by the fact that Beck was now advanced in age, 66 years-old, and began to suffer repeated illness until his death in 1925. The

election also placed at Ferguson's disposal two positions for H.E.P.C. commissioners. Carmichael resigned following the election, and J.G. Ramsden, a former member of Toronto City Council who had been appointed in January 1923 following the death of Miller, was removed by order-in-council after refusing to resign. Ramsden, according to Plewman, was a "machine Liberal" who had been a "severe critic" of Beck.[96] Ferguson filled one vacancy in July 1923. Returning to the pre-1914 arrangement of having two ministers on the H.E.P.C., he appointed J.R. Cooke, who, like Beck, was made a minister without portfolio. With Beck's incapacity, Cooke would be the de facto chairman of the H.E.P.C. and would run it alone since a third commissioner would not be appointed until 1925.

The Gregory Report, 1924

Although the Gregory Commission had begun submitting interim reports to the Drury government prior to the 1923 election, the release of the remaining reports were held over until after the election, according to Plewman, by mutual consent of the various party leaders.[97] The final report, submitted on March 5, 1924, was especially critical of Beck's disregard for the controls of the Legislature and his own statutory duties while operating the H.E.P.C. The report, however, did not recommend that the H.E.P.C. be made a department of government as might have been expected.

The Gregory report supported Beck's long held sentiment

that exposing the H.E.P.C. to patronage would be its "fatal blow." The report thereupon offered the seemingly contradictory recommendation that the H.E.P.C. should be both accountable to the government and the Legislature and enjoy "full liberty within itself."[98] This position rested upon the argument that what the government lacked in "direct" control over the H.E.P.C. it could make up through the "indirect" control it held through appointments. The important corollary was that government was responsible if and when commissioners were not removed for wrongdoing.[99] An additional corollary was the affirmation of the suitability of the crown corporation structure of the H.E.P.C. which had developed at Beck's urging.

Although the Gregory report thereby supported Beck's view of corporate autonomy, it strongly criticized the contention continually made by Beck and the O.M.E.A. that the H.E.P.C. was the trustee of a municipal cooperative. This claim was said to be "misleading and inaccurate." The report came to this view by critically testing the O.M.E.A. resolution adopted in April 1923 which had called on the government to transfer formal ownership of the H.E.P.C. to the municipalities. The resolution was not well grounded, according to the report, because it lacked explicit statutory support in two regards. First, the Power Commission Act of 1906 was said to be a "rejection of the principles" in the municipal cooperative based Ross Power Act of 1903. Second, although the Power Commission Act provided for sinking fund payments by the municipalities to retire the

H.E.P.C.'s debt, there was no "direct responsibility" on them to ensure the debt was fully retired. Moreover, the report maintained that the sinking fund payments only meant the municipalities would become the owners if and when they had relieved the province of the H.E.P.C.'s debt. The report found this to be an unlikely scenario because the contributions to the fund by 1924 totalled only 2 percent of the debt and was not "materially increasing." The report concluded, therefore, that the O.M.E.A. resolution, and with it the municipal cooperative claim, was "impractical".[100]

Although the conclusions of the Gregory report supported the view that the H.E.P.C. needed independence from both the government and the municipalities, the fact remained that most of the report was devoted to the weaknesses of the H.E.P.C.'s operation. Its specific concerns centred on the exercise of business judgement, especially on decisions which affected the cost of power.[101] The report's criticisms on this score, however, were muted by its resounding tribute to Beck's accomplishments. Having questioned his "lack of frankness" and his "arbitrary and inconsiderate" behaviour, it nonetheless suggested he "rendered most notable service" and deserved "full and ungrudging credit" for the H.E.P.C. being a success.[102]

The report could be critical of the business management of the H.E.P.C. and Beck's character while also paying tribute to him because it distinguished between his methods and objectives. By the time the report appeared, the H.E.P.C. had acquired

ninety private companies through a strategy primarily guided by rate competition. The report found fault where this strategy involved methods that were without a statutory foundation, but in the end endorsed the principle of public ownership. In fact, it stated

> The principle of public ownership of the water powers of the Province and their development by the people for the people, is, in our opinion, fundamentally sound and should be maintained at all hazards in its full integrity.[103]

The report, therefore, provided a post hoc justification for the fact that Beck had transformed the H.E.P.C. from its original state of co-existence with private enterprise to, for all intents and purposes, a public ownership monopoly.[104]

The Gregory report made evident its support for the H.E.P.C. being treated as a crown corporation on the issue of salary compensation for the commissioners. It recommended that their salaries should be charged to the operation of the H.E.-P.C. rather than being paid, as part had been, by the government. Shortly thereafter, the government amended the Power Commission Act in 1924 to leave salary compensation to be raised in full, as part had been since 1914, through a municipal levy.[105] Thus, there was an irony to the implementation of the salary recommendation. The report had belittled the notion that the H.E.P.C. was the trustee of a municipal cooperative, while the government enhanced this aspect of its nature.

Closely following the release of the Gregory report came statutory approval for the remaining elements of the clean-up

deal. An agreement for the transfer of the remaining assets of the T.P.C. to the H.E.P.C. was reached on March 25, 1924.[106] With Beck's death on August 15, 1925 coming one year after this milestone, the H.E.P.C. entered a new era having to define a new mission for itself in the absence of the personal leadership that had so far provided its bearings.

Conclusion

The purpose of this chapter has been to outline how the character of the H.E.P.C. and its relationship with the government were transformed during Adam Beck's chairmanship of the H.E.P.C. This era, which began with the first appointments to the H.E.P.C. in 1906 and lasted until Beck's death in 1925 after he continuously served as chairman, was stamped by his personal leadership. Through two legendary battles, Beck altered and heightened the H.E.P.C.'s "institutionalized ambivalence." First, he championed corporate autonomy for the H.E.P.C. at the expense of departmental controls, and bolstered the notion that it was the trustee of a municipal cooperative rather than a government enterprise in the process. Second, he drove the private sector out of the electric power industry to establish, for all intents and purposes, a public ownership monopoly. With the H.E.P.C. having been created to co-exist with a vibrant private sector, Beck took it far beyond its original and ambiguous mandate simply to operate a transmission company that supplied outlying municipalities. In the result, Beck's "redist-

ributive" project propelled the H.E.P.C. into a "first-generation" crown corporation broadly "facilitative" of economic growth.

Endnotes: Chapter Three

1. H.V. Nelles, The Politics of Development: Forests, Mines and Hydro-electric Power, 1849-1941 (Toronto: Macmillan, 1974), pp. 266-7 and 260; Charles W. Humphries, 'Honest Enough to be Bold': The Life and Times of Sir James Pliny Whitney (Toronto: University of Toronto Press, 1985), p. 98; and, W.R. Plewman, Adam Beck and the Ontario Hydro (Toronto: Ryerson, 1947), pp. 58-9.

2. Smith had also been the resident engineer of the Canadian Niagara Power Company and the general manager of the government's Temiskaming and Northern Ontario Railway. Nelles, op. cit., p. 267; and, Plewman, op. cit., pp. 58-9.

3. On the monopolistic characteristics of the industry see, John H. Dales, Hydro-electricity and Industrialization: Quebec, 1898 to 1940 (Cambridge: Harvard University Press, 1957).

4. It should be noted that the claim that the H.E.P.C. was only the "trustee" of a municipal cooperative did not begin with this bylaw. The Toronto bylaw, if in fact the same as the others, did not speak of the H.E.P.C. in these terms. Plewman, op. cit., pp. 50-1; Nelles, op. cit., p. 271; and, City of Toronto, Minutes of the Proceedings of the Council of the Corporation of the City of Toronto, 1907, Bylaw 4834, Appendix B, pp. 6-7. Municipal elections were then annually held on New Year's day. This approval was the first of a two stage process prescribed by the Power Commission Act, with the second being a bylaw referendum to approve a debenture issue for local distribution facilities. See Chapter 2.

5. James Mavor, Niagara in Politics: A Critical Account of the Ontario Hydro-Electric Commission (New York: E.P. Dutton and Company, 1925), p. 67.

6. Merrill Denison suggests that Beck regarded Smith's departure as an act of "treachery". Plewman, on the other hand, suggests it was cordial because Beck recommended Smith receive the consulting engineering work from the contractor building the H.E.P.C.'s first transmission lines, an arrangement which became a source of controversy when it was later uncovered. Beck only later became "annoyed" with Smith, according to Plewman, when Smith used his intimate knowledge of power issues in Ontario to advance the interests of a private company over the H.E.P.C. on the Rideau river. Merrill Denison, The People's Power: The History of Ontario Hydro (Toronto: McClelland and Stewart, 1960), pp. 28 and 63; and, Plewman, op. cit., 30, 32, 59-60, 122 and 407.

7. S.O. 1907 c. 19 s. 8(b), 8(c) and 15. The Conmee Clause was a provision in the Municipal Act which forced municipalities to buy out rather than compete with private water, gas and

electric utilities. Mavor suggests that this and other such enactments were part of a deliberate policy to "frighten away" capital from the E.D.C. so as to impair its viability. Mavor, op. cit, p. p, 92. It should be noted that the publication of Mavor's book was financially assisted by the National Electric Light Association, a private enterprise lobby in the United States. Plewman, op. cit., p. 436.

8. Nelles, op. cit., pp. 273-4; and, Humphries, op. cit., p. 165.

9. The agreement was with the Queen Victoria Niagara Falls Park Commissioners, a government agency. Mavor, op. cit., pp. 87-90; and, Canadian Annual Review, 1907, pp. 517-8. The E.D.C. had entered the field of generation presuming the O.P.C. would continue to concern itself with exporting power to the United States, rather than supply the Canadian market.

10. The E.D.C. bondholders' objective, according to Nelles, was to avoid further "discredit in capital markets" from the duplication of service under public/private competition. The O.P.C. refused to cooperate on the bondholders' plan because it believed the company's problems had resulted from a misapplication of capital by its principals. Nelles, op. cit., pp. 282-4. Humphries disagrees with Nelles on what interpretation should be placed on Whitney's involvement on this matter. He claims that "Whitney and his government were through with the E.D.C." following the overtures, whereas he suggests that Nelles finds the actions to be evidence of a continuing search for a compromise. Thus, Humphries sees Whitney's actions as only public relations, suggesting Whitney knew the O.P.C. would not cooperate and was not prepared to purchase the E.D.C. Humphries, op. cit., p. 168.

11. All three alternatives, however, were conditional on the city being bound to the T.E.L.'s long-term contract with the E.D.C., and the sale included the value of the its franchise which ran to 1919. Nelles, op. cit., p. 276; Mavor, op. cit., p. 104; and, Christopher Armstrong and H.V. Nelles, Monopoly's Moment: The Organization and Regulation of Canadian Utilities, 1830-1930 (Toronto: University of Toronto Press, 1988), p. 155. The E.D.C.'s offers confirm Armstrong and Nelles' view that regulation was usually "fought" before it was "sought" in the utilities field. Ibid., p. 187.

12. Nelles, op. cit., pp. 285-6. Although Whitney was troubled by the predicament that competition had posed for the E.D.C., according to H.V. Nelles he took "considerable satisfaction" from the endorsement the H.E.P.C. received in municipal referenda. For him, this was a vindication of his government's promotion of public/private competition. Ibid., p. 281.

13. Ibid., pp. 288-9 and 289n.

14. The preamble to the contract speaks of the H.E.P.C. having entered the contract "acting on its own behalf with the approval of the Lieutenant Governor in Council." S.O. 1909 c. 19, Schedule "A", s. 12, 2(a) and 2(d).

15. Nelles, op. cit., pp. 287-90. Beck's distrust of the private interests associated with the T.P.C. extended to refusing to contract with Canadian General Electric for the transmission line's equipment, even though it was the lowest bidder, because it had interlocking directorships with the T.P.C. Whitney ordered Beck to contract with C.G.E. for the major portion of the line, that from Niagara to Toronto, and permitted Beck to offer Westinghouse, Beck's preferred supplier, the feeder line from Dundas to the southwestern Ontario municipalities. Beck refused to let C.G.E. have the crucial trunk section of the line from Niagara to Dundas, forcing the cabinet to give Westinghouse the trunk section and C.G.E. the feeder lines to Toronto and southwestern Ontario. Ibid., pp. 293-4.

16. The statute permitted the mayors of municipalities to sign the contracts without returning to the electors to approve the discrepancy. S.O. 1908 c. 22. The Canadian Annual Review reports that W.D. Beardmore initiated the legal challenge in Toronto and R.H. Smith in London. Canadian Annual Review, 1908, p. 307; and, Canadian Annual Review, 1909, p. 373. The relation of these persons to the T.P.C. is unclear. Nelles suggests that the legal action was taken by the T.P.C. directly, whereas Christopher Armstrong writes that the company only encouraged the actions. Nelles, op. cit., p. 292; and, Christopher Armstrong, The Politics of Federalism: Ontario's Relations with the Federal Government, 1867-1940 (Toronto: University of Toronto Press, 1981), pp. 58-60.

17. This included, as well, the contract let for the construction of a transmission line in direct competition with the T.P.C. Nelles, op. cit., pp. 287, 292 and 294; and, S.O. 1909 c. 19 s. 5, 8 and 9. To overcome such problems in the future the 1908 statute had introduced a standard municipal-H.E.P.C. contract for all future by-law referenda. S.O. 1908 c. 22 Appendix "B". The problem which underlay the controversy was the municipal cooperative dimension of the H.E.P.C.'s operation. It left the onus for the wording of the by-law with the municipalities, which they had set collectively in the summer of 1906. Notably, the new standard contract was written in a way that suggested the H.E.P.C. was a trustee of a municipal cooperative, although no statutory basis for a trustee relationship existed. Nelles, op. cit., p. 271. For an assessment of the H.E.P.C. as a trustee of the municipalities see, Ontario, Hydro-Electric Inquiry Commission: General Report (Toronto: March 5, 1924), (hereafter the Gregory Report), pp. 29-32.

18. Nelles, op. cit., pp. 297-8; Armstrong, op. cit., pp. 59-60; and, S.O. 1910 c. 16 s. 4.

19. Laurier also suggested that repudiation would have to come from the electorate because convention prohibited disallowance under this circumstance. It was at this point in Canadian history, Armstrong notes, that "disallowance (and even the threat of disallowance) largely ceased to be a means by which the federal government could exercise discipline over the provinces." Nelles, op. cit., pp. 294-300; Humphries, op. cit., p. 177; and, Armstrong, op. cit., pp. 61 and 65.

20. The price was based on the T.E.L.'s value without competition and the deal included its long-term contracts with the other T.P.C. companies. Plewman, op. cit., pp. 137-8.

21. W.R. Plewman mistakenly suggests that Whitney left the Bill on the order paper as a way to keep Beck in "subjection". Plewman, op. cit., pp. 81-2; and, Humphries, op. cit., pp. 136-138 and 141. The Bill, No. 102, was entitled An Act to Amend the Power Commission Act and the Ontario Railway and Municipal Board Act. [Archives of Ontario, R.G. 49-39]. Ontario, Journals of the Legislative Assembly of the Province of Ontario (Toronto: King's Printer, 1911), pp. xix and 81.

22. Plewman, op. cit., p. 82; and, Nelles, op. cit., pp. 400-1.

23. The case of the municipalities was especially strong, given that the cooperative dimension of the H.E.P.C.'s hybrid structure increased by 29 new municipalities on January 1, 1912. However, in deference to Whitney, Beck's proclamation was qualified to stand only while the H.E.P.C. was localized to the Niagara region. Plewman, op. cit., pp. 83-4; and, Denison, op. cit., pp. 98-99.

24. Plewman, op. cit., pp. 99-100; Nelles, op. cit., p. 303; and, Denison, op. cit., 99-100.

25. S.O. 1912 c. 14 s. 2, 9 and 15. See also, Plewman, op. cit., p. 101; and, Denison, op. cit., p. 100.

26. The Ferris Committee was responding to calls for the New York State Conservation Commission to own and operate a transmission system. New York State, Report of the Joint Committee of the Legislature on the Conservation of Water (January 30, 1912) (Hereafter, the Ferris Report, 1912), p. 44; and, Plewman, op. cit., pp. 113 and 115. It should be noted that the Conservation Commission had as of 1907 the power to develop water for electric power under "state ownership, control and maintenance for public use and benefit and for the increase of

public revenue." Ferris Report, 1912, op. cit., p. 15. The 1912 report followed the defeat of a Bill in the State's legislature in 1911 that supported public ownership. Mention of the 1911 Bill is made in the minutes of New York State, Report of the Joint Committee of the Legislature on the Conservation and Utilization of Water Power (January 15, 1913), (Hereafter, the Ferris Report, 1913), p. 19.

27. According to Plewman, Beck felt the Ferris Committee was biased against public ownership, and therefore did everything within his power to stymie its gathering of information. Plewman, op. cit., pp. 107-8. Plewman does not, however, acknowledge that Beck not only gave testimony to the Committee in New York City in 1911, he gave testimony again in Ottawa in 1912. It was only after this second appearance that Beck no longer cooperated with the committee. The minutes are replete with Senator Ferris's unsuccessful appeals for Beck to cooperate. Under these circumstances it is not surprising that the majority report rested almost exclusively on the testimony of Reginald Pelham Bolton, a New York engineer who gleaned his information from interviews and documents he received from a dismissed and disgruntled H.E.P.C. employee. Bolton's testimony accounts for 318 of the 699 pages of minutes of the 1913 report. A minority report, however, claimed that Bolton had "prejudged the situation," had gone to Ontario in "search of failure," and relied on the "hearsay" evidence of a person who had refused to testify before the committee. Ferris Report, 1913, op. cit., p. xx.

28. To keep rates low, the report noted that the H.E.P.C. had suspended municipal sinking fund payments for five years beginning in 1909, had made no provision for sinking fund or depreciation itself, and had charged operating expenses to capital accounts. Thus, it argued that if the H.E.P.C. had followed standard accounting and business practices it would have shown a substantial loss. The report also argued that the H.E.P.C. had not proved to be the location inducement for industry that was promised. Ferris Report, 1913, op. cit., pp. v, vii and x; and, Plewman, op. cit., pp. 109-110. The 1913 Ferris report suggests that the government of Ontario was "induced to authorize" the suspension of the sinking fund, but there is no evidence of such a provision in any statute up to 1913. Beck's testimony in this report suggests that the H.E.P.C. had a surplus applicable to sinking fund, but that the government decided that the payments should be deferred to permit all municipalities that joined up until 1914 to participate on an equal footing. Ferris Report, 1913, op. cit., [minutes] pp. 14-15.

29. Bolton also argued that if public credit had been supplied to private enterprise power could have been supplied with "vastly less expenditure." And, he claimed that long-

distance transmission of electric power was "economically unsound," suggesting that electricity would be better utilized at Niagara by industries that required large quantities of continuous power. Reginald Pelham Bolton, An Expensive Experiment: The Hydro-Electric Power Commission of Ontario (New York: The Baker and Taylor Company, 1913), pp. 79, 80 and 278. Although Bolton claimed that he represented no special interest, Plewman writes that he was "powerfully backed." Plewman, op. cit., p. 113.

30. He claimed that the large urban centres were not only the beneficiaries of rates below cost, (likely because they sustained the most intense competition), but also that they "shouldered the least proportionate share of the [operating] burden." In general, he found that the major weakness of the H.E.P.C.'s low rate strategy was that it induced unprofitable consumption. In addition, Bolton argued the suspension of the sinking fund created greater inequity in Ontario by switching the burden of debt to taxpayers from consumers. Bolton, op. cit., p. 172; and, Plewman, op. cit., p. 110.

31. Denison, op. cit., pp. 103 and 104.

32. Plewman, op. cit., pp. 128-9 and 139.

33. Mavor, op. cit., p. 110.

34. Beck felt that members of the cabinet, including Hendrie, his fellow commissioner, were thwarting his radial scheme. He was arguing for radials ostensibly, according to Nelles, as a "panacea" of social problems, but more likely to increase the load on his transmission system. Plewman, op. cit., pp. 151-2; and, Nelles, op. cit., pp. 403-4.

35. Plewman, op. cit., p. 140.

36. The issue of the division of labour in the public sector surfaced by virtue of Beck's adamant adherence to a policy of low rates. Beck had ordered rate reductions of 10 percent for all municipal utilities on November 13, 1913. Even though the H.E.P.C. had the statutory power to set municipal rates, Toronto Hydro refused the order. In Beck's eyes this exploited the H.E.P.C.'s 'at-cost' supply of power and undermined his strategy for competing with the private companies. Beck initially lacked the support of his fellow commissioners in this dispute, only to get their support as one of his conditions for endorsing the government in the 1914 election. Toronto Hydro, however, continued to refuse to reduce rates, leaving the rate problem unresolved until the world war led to reductions greater than those originally requested. The municipal generation issue would later be resolved by statute in 1915. Ibid., pp. 148-51; Denison, op. cit., pp. 113-6; S.O. 1909 c. 19 schedule "A"; and, S.O. 1912 c. 14 s. 9. Although Plewman writes

that Black was the H.E.P.C.'s nominee to Toronto Hydro, no provision for such an appointment existed in the Public Utilities Act or the Power Commission Act, although such a provision was added to the latter in 1915. Plewman, op. cit, pp. 127 and 136; R.S.O. 1914 c. 204 s. 36; and, S.O. 1915 c. 19. s. 15.

37. The Hydro-Electric Railway Act, 1914. S.O. 1914 c. 31. The level and division of the commissioners' salary was to be set by cabinet. The $15,000 were divided so that the chairman received $6,000 and the two commissioners received $4,500 each. This addition meant that Beck received $6,000 from the Consolidated Revenue Fund (since 1912), $6,000 from the municipalities and a sessional indemnity of $1,400 as an M.P.P. for a total of $13,400. Lucas received $4,500 from the municipalities, $6,000 as a cabinet minister and the $1,400 indemnity for a total of $11,900. McNaught received the $4,500 and the indemnity for a total of $5,900. S.O. 1914 c. 16 s. 4; and, Plewman, op. cit., pp. 134 and 175-6. In 1915 the Act was amended again to include the commissioners under the same exemption from the Legislative Assembly Act that the chairman had enjoyed since 1912 upon receiving a salary. This amendment was made retroactive to November 1, 1914. S.O. 1915 c. 19 s. 2.

38. The concessions were likely made with the knowledge that the Liberals were claiming credit for the radial scheme and more generally because Beck could not be alienated given his broad public following and his command over the O.M.E.A. Plewman suggests the election outcome was uncertain for the Conservatives if Beck was not onside. Notably, Beck also received a Knighthood during the election campaign. Plewman, op. cit., p. 152-3; and, Denison, op. cit., p. 115.

39. Denison, op. cit., pp. 91, 119, 120 and 121; and, Nelles, op. cit., p. 364.

40. Peter Oliver, G. Howard Ferguson: Ontario Tory (Toronto: University of Toronto Press, 1977), p. 66. According to Oliver, the fortunes of Hearst's government would be tied to a "dangerous extent" to Beck's ambitions. Peter Oliver, "Sir William Hearst and the Collapse of the Conservative Party," in Public and Private Persons: The Ontario Political Culture, 1914-1934, ed. Peter Oliver (Toronto: Clarke, Irwin and Company, 1975), p. 21.

41. Nelles, op. cit., p. 401.

42. S.O. 1915 c. 19 s. 15.

43. Oliver, Ferguson, op. cit., p. 81; S.O. 1916 c. 37 s. 9; and, Plewman, op. cit., pp. 187-88.

44. Ferguson was likely the only politician in the Hearst government who was a match for Beck's domineering political style, having matured in the Ontario Legislature, according to Oliver, as Whitney's political "hatchetman". Indeed, his services had been used by Whitney against Beck on a least one occasion. Oliver, Ferguson, op. cit. pp. 81, 51 and 65. The incident is also described in Plewman, op. cit., pp. 146-7. See also, Oliver, "Sir William Hearst," op. cit., pp. 27-8 and 36. S.O. 1916 c. 18 and c. 19.

45. Plewman, op. cit., pp. 78 and 88. According to Oliver, Ferguson had been pushing Beck since as early as 1912 to move the H.E.P.C. into eastern Ontario, offering to sell the public on the H.E.P.C. scheme himself. He considered this necessary if his region was to keep pace industrially with other regions of the province, and likely considered it necessary that he and the Conservative party reap the political benefits. See, Oliver, Ferguson, op. cit. p. 64. Oliver, however, does not discuss the 1915 offer made by Beck noted in Plewman.

46. S.O. 1916 c. 18, The Central Ontario Power Act, 1916; Oliver, Ferguson, op. cit., pp. 64 and 81; Oliver, "Sir William Hearst," op. cit., p. 27; and, Plewman, op. cit., pp. 193-4. It is conceivable that Ferguson orchestrated the purchase of the company in 1916 to further his objective and to protect the investments of the locally owned company. In addition, Beck may have been less interested than Ferguson in the purchase because it would have distracted him from his running battle with the private interests at Niagara and the dispute within his own party over whether to permit the H.E.P.C. to generate its own power at Niagara. The incident also highlighted an important, although localized, deviation from the cooperative dimension of the H.E.P.C.'s hybrid character.

47. Armstrong, op. cit., p. 84; and, Alexander Brady, "The Ontario Hydro-Electric Power Commission," Canadian Journal of Economics and Political Science 2:3 (1936), p. 334.

48. Plewman, op. cit., p. 189; and, Nelles, op. cit., 410. The controversy was heightened by the release of a series of articles critical of the H.E.P.C. which appeared in the Financial Post in 1916 by James Mavor. The articles were reprinted as James Mavor, Public Ownership and The Hydro-Electric Power Commission of Ontario (Toronto: Maclean Publishing Company, 1917).

49. Originally quoted in the Financial Post March 25, 1916, and cited in Nelles, op. cit., p. 410; and, Plewman, op. cit., p. 190. The Clarkson audit was undertaken only to ensure that proper documentation existed for all H.E.P.C. expenditures to that point, which was the information denied to the Provincial Auditor. Clarkson was not asked to uncover whether the expend-

itures had the Legislature's approval.

50. Clarkson's son and successor, chartered accountant Geoffrey T. Clarkson, revealed the substance of recommendation to McGarry in testimony before the Gregory Commission. See, Gregory Report, op. cit., p. 55. His full report was delivered in 1918.

51. Brady, op. cit., p. 335; and, Plewman, op. cit., p. 190.

52. Mavor, op. cit., p. 169; and, Plewman, op. cit., p. 191.

53. Another 1916 amendment provided statutory authorization for the deferment of sinking fund payments. Although the practice had begun with the construction of the transmission line in 1909, it had never been formalized in the Act. The amendment permitted the cabinet to relieve a municipality from the first five of thirty years of payments, with the total due over the remaining twenty-five. The provision was amended in 1917, however, to permit the H.E.P.C. rather than the cabinet to authorize the relief, with the payments made over a subsequent thirty years for a total of thirty-five years. S.O. 1916 c. 19 s. 12; and, S.O. 1917 c. 20 s. 13. Neither amendment was made retroactive to 1909 to legitimate the deferments made prior to this statutory authorization.

54. Moreover, to legitimize the H.E.P.C.'s past application of revenue to expenditures, these 1916 amendments were made retroactive to October 31, 1910. The H.E.P.C. was also permitted to purchase and sell supplies out of its own funds and charge and collect from municipalities for consulting and contracting work. S.O. 1916 c. 19 s. 6, 8 and 4.

55. S.O. 1916 c. 19 s. 4. The provision did not, however, relieve the H.E.P.C. of s. 14 of R.S.O. 1914 c. 39 which stated that funds raised for the H.E.P.C. were to be audited and accounted for in the same manner as other public revenue and accounts.

56. Plewman, op. cit., p. 191; S.O. 1917 c. 20 s. 2; S.O. 1918 c. 14 s. 3; S.O. 1927 c. 17. s. 8; and, Gregory Report, op. cit., pp. 53 and 187. Following the 1916 statutory requirement for an annual report, the H.E.P.C. began to list the municipal sinking fund contributions in 1917. After this became a statutory requirement in 1918, the H.E.P.C. began to list the contributions as equity in 1919.

57. Notably, the Act also specified that a separate account was to be kept for the project and it spelled out that all costs were to be defrayed out of appropriations, with expenditures not

to exceed appropriations in any one year. The Ontario Niagara Development Act, 1916. S.O. 1916 c. 20. s. 4 and 5.

58. Nelles, op. cit., p. 404.

59. The government did, however, hold a lien on the works. S.O. 1917 c. 21 s. 9 and 6.

60. Notably, in 1917 Beck rejected a government claim that the H.E.P.C. reported to the Legislature through the Attorney General, even though it was accompanied by an admission that the province owned and operated the H.E.P.C. "in trust" for the municipalities. This would have been only a small concession, given that Attorney General Lucas was an H.E.P.C. commissioner. Plewman, op. cit., p. 200; and, Nelles, op. cit., p. 401.

61. The Act specifically exempted the H.E.P.C. from the restrictions on the government generating power that existed in the franchise agreements of the private companies. S.O. 1916 c. 20 s. 7.

62. Plewman, op. cit., pp. 206-207; and, Armstrong, op. cit., pp. 77-78 and 77n. Mavor's 1916 articles in the Financial Post were published as a book in 1917 to coincide with the disallowance appeal. See, Nelles, op. cit., p. 406n; and, Mavor, Public Ownership, op. cit.

63. The H.E.P.C. was also given a new general power to issue "bonds, debentures or other securities" with a government guarantee if approved by cabinet, which was the same power granted in the Ontario Niagara Development Act, 1917. S.O. 1917 c. 20 s. 3(g),(h), and 5.

64. Plewman, op. cit., pp. 201-202.

65. In addition, the inspector was permitted to recommend to cabinet that limits on quantities of water utilized be imposed. The limits could be imposed whether or not rights had already been conferred. The Act also provided that compensation could be applied for and that the inspector's orders could be appealed to the cabinet. S.O. 1916 c. 21 s. 4, 5, 9 and 10.

66. The T.P.C. also objected to the pronouncement of judgement "without adequate knowledge of the facts." Plewman, op. cit., pp. 202-3.

67. The price for the power was to be determined by the judges. The Water Powers Regulation Act, 1917. S.O. 1917 c. 22.

68. Plewman, op. cit., p. 208. Plewman writes that the complaint was "well founded." Moreover, he suggests "Hydro was greatly to blame for this condition, and it is doubtful that the

legal staff of the Commission should be held accountable for the practice. It would not have happened if Adam Beck had not desired it otherwise." Ibid. Mavor states that the practice originated with the Act creating the H.E.P.C. in 1906 and was used from that point onwards to stifle discussion. Mavor, op. cit., pp. 52-3.

69. Doherty, however, was critical of the Ontario government's use of judges to determine the capacity of electric plants. Armstrong, op. cit., pp. 78 and 79. The cabinet decision was based on the recommendation of a judicial inquiry established on July 25, 1917, and "hand picked" by Beck, according to Nelles. It included Chief Justice Sir William Meredith, the former leader of the Conservative Party and the ghost author of the Power Commission Act, 1906. See, Chapter 2.

70. Beck's figure of $27 million was made on the advice of accountant George T. Clarkson, now an economic sage for the H.E.P.C. and the government. Plewman, op. cit., pp. 221-2.

71. S.O. 1919 c. 45 s. 2. Beck's reckless conduct correlated with the "absence of a strong Premier," according to Oliver. And, although Whitney before Hearst and Ferguson after him had similar problems with Beck, Oliver writes that neither "permitted relations to deteriorate to the extent that they threatened the existence of the government." Oliver, "Sir William Hearst," op. cit., pp. 37 and 36. See also, Brian Tennyson, "Sir Adam Beck and the Ontario General Election of 1919," Ontario History 45:3 (1966). As Nelles aptly writes, "Beck expected the solidarity of cabinet responsibility, all the while insisting upon complete autonomy of his commission." Nelles, op. cit., pp. 411-12.

72. Nelles, op. cit., p. 401; and, Denison, op. cit., p. 144. There is some controversy over who turned down who on the offer of the premiership, although in sum Beck wanted to have complete freedom from U.F.O. party policy on H.E.P.C. matters. See, Charles M. Johnson, E.C. Drury: Agrarian Idealist (Toronto: University of Toronto Press, 1986), pp. 60-1; and, Plewman, op. cit., pp. 208-9.

73. Denison, op. cit., p. 144.

74. Plewman, op. cit., pp. 243 and 258.

75. Nelles, op. cit., pp. 413-14.

76. Ibid., pp. 414-5.

77. Ibid., p. 416.

78. Sutherland was a former Liberal M.P. and speaker of the House of Commons. He was also one of the judges appointed by Beck under the Water Powers Regulation Act, 1917, to report on the T.P.C. Johnson, op. cit., p. 112; and, Plewman, op. cit., p. 310.

79. The terms of reference also included the outlook for radials and whether they could be self-supporting, their effect on Canadian National (just created), their effect on national, provincial and municipal debt, and whether radials were a public necessity and within the objects of the H.E.P.C. Ontario, Report of the Commission Appointed to Inquire into Hydro-Electric Radials (Toronto, 1921). (Hereafter, the Sutherland Report).

80. Plewman, op. cit., pp. 259-60.

81. The Toronto Power and Railway Purchase Act, 1921. S.O. 1921 c. 23.

82. Plewman, op. cit., pp. 313 and 288; Denison, op. cit., p. 147; and, Johnson, op. cit., pp. 119-20. On the radial entrance issue see Plewman, op. cit., Chapter 38. On the appointment of Lucas see, Canadian Who's Who, 1936-37.

83. The report was not officially printed until December 1921. As a background to these recommendations, the majority report considered existing radials in Canada and the United States to be in a "precarious and unsatisfactory" position with a "dubious and discouraging" future. In addition, it considered radial competition with the newly formed Canadian National Railways to be "unwise and economically unsound," as well as a blow to public ownership. And it condemned the practice of guaranteeing municipal radial bonds, and suggested that the "apprehension" over the size of government debt in Canada was a "cogent" reason not to proceed with radials. Sutherland Report, op. cit., pp. 3-5.

84. Nelles, op. cit., p. 418.

85. Bancroft recommended the government endorse the principle of publicly owned radials and instruct the H.E.P.C. to proceed with its plans. Sutherland Report, op. cit., pp. 182 and 211. The delay in the release of Beck's counter report was due to the fact that the Sutherland report was only officially published in December 1921. The condemnation was ostensibly made at the request of the municipalities. Nelles, op. cit., 417; Denison, op. cit., p. 147; and, H.E.P.C., Statement Respecting Findings and other Statements contained in the Majority Report of the Sutherland Commission (Toronto: H.E.P.C., 1922).

86. The report was commissioned by the National Electric Light Association, a pro-private enterprise lobby in the United States. W.S. Murray, Government Owned and Controlled compared with Privately Owned and Regulated Electric Utilities in Canada and the United States (New York: National Electric Light Association, 1922), pp. 1,3 and 16. The H.E.P.C. had cooperated fully with Murray, believing a factual comparison would justify the H.E.P.C.'s existence primarily on the ground that its prices were cheaper. Murray's finding that private ownership with public regulation was superior was based on the view that American utilities have "greater reliability of supply and that supply is cheaper to the consumer" by virtue of the fact that they have "more power in reserve and sell more energy per capita served." Notably, Murray had asked the H.E.P.C.'s Chief Engineer, F.A. Gaby, "what was the reason for the inauguration of the league of municipalities and the H.E.P.C.?", to which Gaby replied that "the companies did not endeavour to meet the wishes of the people or to take the people into their confidence." Beck, however, replied later that the H.E.P.C. was "justified under any circumstances." Murray, op. cit., pp. 7, 5 and 6.

87. The H.E.P.C.'s refutation of the Murray report maintained the H.E.P.C. was created after a consideration of "all factors," including American-style regulation which it felt to be ineffective in "numerous instances." As for the California comparison, the refutation hastened to point out that even if prices were equal, the H.E.P.C. had the advantage of the "people" buying "service and plant," not just service, because the price in Ontario included sinking fund payments. The H.E.P.C. nevertheless disputed the "methods" of comparison that suggested prices were equal and questioned the lack of data on American utilities. It had made its figures available for the comparison only to discover that the American utilities provided their figures in confidence, and thus the latter's were not published with the same degree of detail as the H.E.P.C.'s. In general, the H.E.P.C. argued that the "real" purpose of the Murray report was "to undermine, if not destroy, public confidence in public ownership" by "discrediting" the H.E.P.C. It also argued that the Murray report failed to explain fully the H.E.P.C.'s organization as a "trustee" for a municipal cooperative, preferring instead to have the "stigma" of government ownership attached to the H.E.P.C. H.E.P.C., Refutation of Unjust Statements contained in a report published by the National Electric Light Association entitled "Government Owned and Controlled Compared with Privately Owned and Regulated Electric Utilities in Canada and the United States" respecting the Hydro-Electric Power Commission of Ontario (Toronto: H.E.P.C., 1922).

88. Earlier in 1922, Drury had complained to Beck that the H.E.P.C.'s estimates and requisitions should only be submitted to the government with the approval of all three commissioners,

not just himself. Nelles, op. cit., p. 418-419 and 419n; Johnson, op. cit., p. 107; and, Plewman, op. cit., p. 297. Notably, Plewman writes that the offer of resignation was made in the autumn of 1921, when Carmichael first realized that the estimates for 1921 were too low.

89. Although seven of the Gregory Commission's eight terms of reference concerned the Queenston-Chippewa project exclusively, the eighth gave it the power to examine "any other power development ..., and generally all matters of expenditure and administration ...." Plewman, op. cit., p. 298; and, Gregory Report, op. cit., p. 1. Gregory was a Toronto Lawyer and a Liberal who had been a director of the Farmers' Sun newspaper and was known to be a "friend of the farmers' cause." Denison, op. cit., p. 132; and, Johnson, op. cit., p. 107.

90. The 1922 Act permitted the Toronto to St. Catharines line to fall under the 1914 provisions if new referenda were held in each municipality along the route. See, The Municipal Electric Railways Act, 1922, S.O. 1922 c. 69; and, Johnson, op. cit., p. 119. The Bill, No. 100, which became the Act was introduced on March 16, 1922, passed second reading May 26th, was amended June 8th, passed third reading June 9th and received royal assent June 13th. Ontario, Journals of the Legislative Assembly of the Province of Ontario (Toronto: King's Printer, 1922). As part of the compromise, Beck agreed to terms with the T.P.C. for the purchase of its suburban railways, although the generation and transmission properties still needed to be negotiated. See, The Toronto Suburban Railway Company Act, 1922. S.O. 1922 c. 35. It should be noted that the transfer of property rights for Beck's ambitious plans for east and west radial entrances to Toronto was defeated in a referendum in Toronto January 1, 1923. In addition, Hamilton and lesser municipalities crucial to the Toronto-St. Catharines radial rejected the scheme on this same date. This led Drury to authorize only the Toronto to Oakville section, which enjoyed municipal support, although he did so without Beck's consent. The Toronto entrance way had not been resolved to Beck's liking. Plewman, op. cit., pp. 329-331.

91. Brady, op. cit., p. 337; and, Gregory Report, op. cit., p. 29.

92. Johnson, op. cit., p. 204; and, Oliver, Ferguson, op. cit., pp. 130 and 139.

93. Plewman, op. cit., pp. 338-9.

94. Ferguson, with the approval of the U.F.O. extra-parliamentary executive, refused to accept the U.F.O. as the official opposition even though they had the second largest number of seats, preferring the Liberals instead. Oliver, Ferguson, op.

cit., p. 158; and, Johnson, op. cit., p. 207.

95. Oliver, Ferguson, op. cit., pp. 151 and 148.

96. Plewman, op. cit., pp. 335 and 345.

97. Plewman, op. cit., p. 331. It should be noted that Ferguson amended the terms of reference of the Gregory Commission by order in council on September 12, 1923 in an effort to restrict the scope of their forthcoming final report. The rider following the eighth term of reference had originally asked the Commission, first, for "suggestions and recommendations" and, second, to "report on the evidence and the facts." The amendment deleted the former and kept the latter. This suggests Ferguson sought to bar the Commission from making recommendations. See, Ontario, Order in Council, September 12, 1923. Plewman, however, offers another reading. He claims the amendment was intended to delete the eighth term of reference, of which the rider was considered a part. The eighth was the controversial open-ended provision for broadening the inquiry from a focus on Queenston-Chippewa to all H.E.P.C. developments and matters of administration. Thus, Plewman argues that the Commission "defied" the government's order. This conclusion, however, is not substantiated from an examination of the order in council. The answer to this misunderstanding may lie in Plewman's own analysis. He suggests Ferguson let the Commission know he was "bluffing," which fits Oliver's view that Ferguson knew the Gregory report would "strengthen his own hand" when dealing with Beck and the H.E.P.C. Plewman ,op. cit., pp. 352-3; Oliver, Ferguson, op. cit., 152; and Gregory Report, op. cit., pp. 1-2.

98. Gregory Report, op. cit., pp. 235-6.

99. According to this view, Drury was at fault for not removing Beck and for waiting so long to remove Lucas, but it gives no recognition to the precariousness of his minority government. Ibid., pp. 27 and 225.

100. Ibid., pp. 29-32 and 68-9.

101. The report took exception to the H.E.P.C.'s deferment of sinking fund payments for municipalities, its exclusion of bonded debt as distinct from appropriations in the calculation of the payments, and generally to the low levels of contingency and renewal funds. In addition, the report stated it was wrong to accept estimates from a promoter of a scheme. Accounting methods, which had caused the controversy in 1916, were deemed to be "adequate and proper." Ibid., pp. 229 and 219-220.

102. Ibid., pp. 222-3.

103. Ibid., pp. 147 and 219. Even Premier Ferguson, who felt the report "vindicated" the H.E.P.C., stated the Gregory Commission was antagonistic to public ownership. Plewman, op. cit., p. 368.

104. Notwithstanding this endorsement, Beck issued a published critique of the report. See, H.E.P.C., Errors and Misrepresentations made by the Hydro-Electric Inquiry Commission (Known as the Gregory Commission) respecting the Publicly Owned and Operated Hydro-Electric Power Undertaking of the Municipalities of the Province of Ontario (Toronto: H.E.P.C., 1925).

105. The Power Commission Act was amended, first, to relieve the government of paying $6,000 towards Beck's salary, as had been the case since 1912, and, second, to permit the combined salaries of the commissioners to be increased to $45,000 from $15,000. This was a level the Gregory report would have supported. Gregory Report, op. cit., p. 203. S.O. 1924 c. 23 s. 2 and 10; and, S.O. 1914 c. 16 s. 4. The Gregory Commission had uncovered that the H.E.P.C. Commissioners and senior officers were drawing large salaries out of the Ontario Power Company, which the H.E.P.C. operated as a subsidiary from 1917 onwards. These salaries were in addition to those provided by the government and the municipalities. Although the Gregory report did not object to the overall level of compensation, it did object to the surreptitious way in which salaries were financed. Notably, the U.F.O. appointees participated in the arrangements. Gregory Report, op. cit., 192-198.

106. The date of the agreement is found in Schedule "A" of The Power Commission and Companies Transfer Act, 1924. The Act also provided for the consolidation of the Ontario Power Company into the H.E.P.C., given that it had continued to be run as a joint-stock company after its purchase by the H.E.P.C. in 1917. S.O. 1924 c. 24. The Act did not, however, affect the Central Ontario Power Company. It remained owned by the government and operated by the H.E.P.C., even though the Gregory report had recommended that both subsidiary companies be consolidated into the H.E.P.C. Gregory Report, op. cit., p. 231. It was not until April 3, 1930 that the company was bought by the H.E.P.C. See, S.O. 1930 c. 13, The Central Ontario Power Act, 1930.

CHAPTER FOUR
INFUSING THE H.E.P.C. WITH POLITICAL SENSITIVITY: THE FERGUSON FORMULA, 1925-1943

Introduction

This chapter will examine the relationship between the H.E.P.C. and the Ontario government from the death of Adam Beck in 1925 to the watershed provincial election in 1943. With the government needing to fill the void of Beck's personal leadership, the broad theme of this era was different than might have been expected. Rather than use appointments to increase government control, the government used them to institutionalize further the seemingly ambivalent nature of the H.E.P.C. as both government corporation and trustee of a municipal cooperative. This theme reflected a change in the relative importance the government placed on its two instruments for setting the direction of the H.E.P.C. In the Beck era, statutory enactments had been used extensively, but their drawback was the attendant political responsibility that came with this degree of formal control. Appointments, on the other hand, were found to by-pass this burden in the post-Beck era when used strategically and judiciously to provide the government and the O.M.E.A. with informal influence in the H.E.P.C. affairs. This focus upon appointments would develop over three distinct periods of the 1925-43 era.

The dominant theme of the first period, the late 1920s, was a federal-provincial jurisdictional dispute. Given its intentions of controlling power developments on the Ottawa and St. Lawrence rivers, the federal government posed a potential threat

to the H.E.P.C.'s sector-wide existence as a "first-generation" crown corporation. In the face of this challenge, Premier G. Howard Ferguson appointed a chairman from outside the government and the H.E.P.C. and gave the O.M.E.A. representation on the H.E.P.C. symbolically equal to what the government received by statute. This formula had two advantages. First, with a minister no longer serving as chairman, it distanced the government from political responsibility for the H.E.P.C.'s affairs while ensuring continued influence. Second, it united the previously disparate views on whether the H.E.P.C. was a government corporation or the trustee of a municipal cooperative around the need not to cede jurisdiction to Ottawa. By resisting the federal incursion, the H.E.P.C. was transformed from merely a "facilitative" to a "nationalistic" crown corporation.

In the second period, marked by the political turbulence and partisan wrangling of the depression, neither Premier George S. Henry nor Premier Mitchell F. Hepburn followed the Ferguson formula. The upshot was that in loading the H.E.P.C. with partisans, neither was able to dissociate his government from political responsibility for the H.E.P.C.'s problems during the depression. Henry had to accept responsibility for the H.E.P.C.'s failings as a "facilitative" crown corporation after it amassed a huge surplus from contracts signed with companies wholly within Quebec as the "nationalistic" response to the earlier federal jurisdictional challenge. As for Hepburn, his use of enactments in addition to appointments for his own "nat-

ionalistic" policy of repudiating the Quebec contracts left him little distance from the H.E.P.C.'s problems as well.

The economic renewal and political stability of the late 1930s and early World War II set the parameters for the third period. Reuniting the government and the O.M.E.A. in common cause, Hepburn returned to the safety of the Ferguson formula in 1937, elevating it to the status of a "semi-convention". His action proved to be important for war mobilization, one outcome of which was an agreement to develop the Ottawa river. Although in this agreement the H.E.P.C. accepted a degree of federal jurisdiction, it nonetheless became unrivalled as a "first-generation" crown corporation as a result. Thus, by the 1943 election, the H.E.P.C. had let its earlier "nationalistic" stridency pass to get on with the business of being a "facilitative" corporation.

The Ferguson Government and the H.E.P.C., 1925

Premier Ferguson's first task following the death of Adam Beck on August 15, 1925 was to find a replacement for the erstwhile H.E.P.C. chairman. Ferguson had in mind a person who would exercise the H.E.P.C.'s business autonomy in a manner that was politically sensitive to the needs of the government. This was important to Ferguson, who had lectured Beck after becoming premier in 1923 that "it [was] not only embarrassing but humiliating ... to be placed in the position where I am forced to say that I know nothing of some project for which the Government

must take responsibility." On September 12th he appointed Charles A. Mcgrath, a non-partisan from outside the government and the H.E.P.C. Mcgrath's past as a federal official with diplomatic experience yielded, according to Merrill Denison, a chairman who was as "restrained and self-effacing" as Beck had been "flamboyant". Moreover, Mcgrath's focus on "legal, fiscal and financial matters" would reveal that the "crusade" of Beck's personal leadership was over.[1] His incumbency would demonstrate that the power to appoint could be the power to remake the H.E.P.C.

Ferguson's desire not to be manipulated as his predecessors had been by Beck was also evident in his choice of the two other H.E.P.C. appointments. He used them to remake the H.E.P.C.'s relationship with the government and municipalities by creating constituency-like representation. As a government representative, J.R. Cooke, who had been chairman pro-tem during Beck's prolonged illness before dying, remained a commissioner, filling the statutory requirement for one to two cabinet ministers. The third commissioner, appointed with Mcgrath on September 12, 1925, was C. Alfred Maguire, president of the Ontario Municipal Electric Association (O.M.E.A.) since 1923. Notably, he was a well known Liberal who had been mayor of Toronto. In appointing Maguire, Ferguson was responding to the O.M.E.A.'s persistent call for representation. Rather than give the O.M.E.A. direct representation, which it had formally requested from the Hearst and Drury governments, Ferguson asked for a

nominee. Maguire, who was the nominee, later stated that he was appointed, without condition, to be a representative of the O.M.E.A.[2]

Mcgrath's appointment as chairman was especially noteworthy because of the expertise he had developed on water power matters. Since 1914 he had been chairman of the Canadian section of the International Joint Commission (I.J.C.), the body which managed boundary water issues between Canada and the United States, and he continued in this post while H.E.P C. chairman.[3] His knowledge was specifically needed to guide the H.E.P.C. through the jurisdictional quagmire that had developed by 1925 over southern Ontario's other large and accessible water power sites, the St. Lawrence and Ottawa rivers. Their power was needed if a shortage was to be averted in the late 1920s. The Ottawa was caught in a federal-provincial jurisdictional dispute and the St. Lawrence was caught in the same as well as the need for a Canada-United States agreement. Despite the greater jurisdictional problems, the St. Lawrence was more attractive to the H.E.P.C. for development than the Ottawa, or for that matter than power purchases from private companies inside Quebec, because its proximity to southwestern Ontario meant lower transmission costs. In addition, water power, given low operating costs, continued to be considered preferable to thermal power generation with American coal.[4]

Underlying the federal-provincial dispute, on the one hand, was the federal government's claim to control water power

"incidental" to its constitutional jurisdiction over Navigation and Shipping. This was claimed to be augmented by the reference to water power on canals in the third schedule of the Constitution Act, 1867 dealing with federal Public Works and Property. For its part, Ontario had believed, since an 1898 decision of the Judicial Committee of the Privy Council (J.C.P.C.), that it had a "proprietary right" to water power on navigable rivers. The J.C.P.C., however, had not determined the respective limits of the two jurisdictions.[5] This meant the federal-provincial dispute had two broad implications. First, it complicated the resolution of a Canada-U.S. agreement on the St. Lawrence, whose international section was clearly outside provincial jurisdiction. Second, it brought the legality of past and prospective H.E.P.C. developments on domestic navigable rivers into question.

Water-Power on the St. Lawrence and Ottawa Rivers, 1925-28

The H.E.P.C.'s campaign to develop power on the St. Lawrence, although first begun on the close of World War I, was in limbo when Mcgrath became chairman. In May 1924, as a result of opposition from vested transportation and electric power interests in Montreal, Prime Minister Mackenzie King had appointed an extra-parliamentary National Advisory Committee on the development of the river and notified the I.J.C. that Canada favoured further study.[6] It was as a result of this dalliance that Ferguson had explored Ontario's higher cost water power alternatives with

Quebec Premier Alexandre Taschereau in January 1925. The premiers condemned the federal government for having previously granted water rights on the Ottawa river, arguing that they were in provincial jurisdiction, and agreed to terms for the H.E.P.C. to purchase power from Quebec companies. Although Taschereau had previously opposed such a transaction, he was persuaded to soften his position. Premier Ferguson, who was also Minister of Education, offered him the quid pro quo of a commission to investigate the problem of French language schools in Ontario, a perennial thorn in Quebec-Ontario relations. Taschereau, for his part, agreed to the export of power if provincial jurisdictional claims on the Ottawa river failed.[7]

The federal-provincial dispute on the Ottawa was exacerbated when, in the knowledge that the H.E.P.C. was in urgent need of power, competing private applications were made for federal government leases on the river in 1925 and 1926. The first came in May 1925 when a revised lease for Carillon Falls, between Ottawa and Montreal, was tabled in the House of Commons. The application had been made by the National Hydro-Electric Company, recently acquired by Dr. Wilfrid Laurier McDougald, a prominent Quebec Liberal. Notably, King had appointed him chairman of the Montreal Harbour Commission in 1922 and a member of King's National Advisory Committee in 1924. Both roles were significant for the H.E.P.C. The former allied him against power developments on the St. Lawrence because the accompanying canals would impinge on the Port of Montreal. The latter meant he was

in a position to frustrate the H.E.P.C.'s efforts to develop the St. Lawrence, leaving it little alternative but to buy power from him on the Ottawa river.[8] The second application was made in the spring of 1926 by the sons of Sir Clifford Sifton, himself a prominent Liberal and a member of the advisory committee. They sought to renew a federal charter for the long-dormant Montreal, Ottawa and Georgian Bay Canal Company, having acquired the company in late 1925. Notably, the original charter, granted in 1894, had explicitly included the development of water power at Carillon Falls.[9]

Although both companies offered to sell power to the H.E.P.C., it refused to prejudice Ontario's claims to control power developments on the Ottawa by dealing with either. Instead, the H.E.P.C. met its immediate power needs by contracting with the Gatineau Power Company, wholly within Quebec, on May 19, 1926. Although this purchase signalled a break with the H.E.P.C.'s past self-reliance, under the circumstances it was endorsed by the executive of the O.M.E.A., of which Maguire, the H.E.P.C. commissioner, was still president. Meantime, the battle for control of the Carillon site continued, but with a new player. The Shawinigan Power Company, owned by prominent Conservative Sir Herbert Holt, took control of McDougald's company and the associated application for a revised lease in June 1926.[10]

The fate of Carillon Falls would be caught up in the two changes of government in Ottawa in the summer of 1926. After

failing to receive a dissolution, King resigned as prime minister on June 28th and Governor General Byng installed Conservative leader Arthur Meighen in his place without an election. Notably, on June 25th King had advised that McDougald be appointed to the Senate, but Byng refused. With the decision on the Sifton and Holt applications now in Meighen's hands, Holt was granted the lease in August, after the tenuous Conservative government itself had fallen. When the Liberals won the September 14th election, King thereupon cancelled the lease, believing it was granted to Holt in exchange for a campaign contribution. In addition, King also had McDougald appointed to the Senate. So as not to play favourites, King did allow Holt's original lease to be temporarily extended to May 1, 1927, which was the same day the Siftons' charter would come up for renewal.[11] Given the circumstances, however, the chances of Holt's application being revived were remote.

At this point, Ferguson and Mcgrath set out to orchestrate a campaign to defeat the Siftons' charter renewal, and with it federal jurisdictional claims on the Ottawa and St. Lawrence rivers generally. Although their motivations were complementary, they were not identical. Whereas Ferguson was interested in protecting Ontario's jurisdictional claims, Mcgrath was also promoting the integrity of the H.E.P.C. as a public ownership monopoly. This became evident on November 11, 1926 when the government, by order-in-council, leased the water rights on the Abitibi Canyon to the Ontario Power Service Corporation (O.P.-

S.C.) without consulting the H.E.P.C. According to Nelles, Mcgrath favoured a "rational" development of northern power resources by the H.E.P.C. rather than "uncoordinated" private development, but Ferguson felt this would be an unnecessary "subsidy" to mining and paper companies. In the event, the O.P.S.C., a subsidiary of the Abitibi Power and Paper Company, would have to sell power to the H.E.P.C., whose needs were 250 miles south in Sudbury through virgin territory, for its plans to be feasible. The O.P.S.C. lease and a subsequent H.E.P.C. power purchase would create a major political scandal in 1933.[12]

As for the campaign against the Siftons, Mcgrath had Ontario's legal arguments vis-a-vis Ottawa refined in February 1927 by lawyer Loring C. Christie.[13] For his part, Ferguson initiated a resolution in the Legislature condemning the Siftons and claiming interprovincial waters for the provinces. This was passed unanimously on March 7th. The H.E.P.C. and the O.M.E.A. followed, Oliver reports, by inundating the federal government and members of parliament with various forms of public opposition to the charter.[14] Wary of the Siftons' influence, King did allow their charter to be tabled in the House of Commons, but only through a Private Member's Bill. When the Bill reached the committee stage, the Liberal majority, on instruction from the cabinet according to Armstrong, voted not to report. This meant the Siftons' charter expired on May 1, 1927 along with the Holt lease.[15]

Having met the Sifton and Holt challenges, Ferguson sought

to expedite the development of Carillon Falls by the H.E.P.C. Although he wanted to negotiate a resolution of the jurisdictional issues, King would not concede Ferguson's view that the division of jurisdiction neatly allocated power developments to the provinces and navigation works to the federal government. King felt that he had a "strong case in law" for licensing power developments and charging the cost of navigation works against them, and thus no need for negotiation. In response, Ferguson and Taschereau recommended at a November 1927 federal-provincial conference that the dispute be referred to the courts. The federal cabinet decided to refer seven questions to the Supreme Court of Canada on January 21, 1928, but did not invite provincial participation in their formulation.[16]

The Beauharnois Contract, 1928-29

Even as the federal-provincial jurisdictional dispute was before the Supreme Court, it was exacerbated by two important developments. The first followed from the application of the Beauharnois Light, Heat and Power Company on January 17, 1928 for federal cabinet approval to develop the Quebec section of the St. Lawrence. In response to this application, King's National Advisory Committee on the St. Lawrence, which had not met in three years according to H. Blair Neatby, met later in the month after King "prevailed" on it for a report. It recommended that the Quebec section of the river be developed ahead of the international section adjacent to Ontario, and that the H.E.P.C.

meet its power needs from Beauharnois. Notably, the recommendation reflected well-known conflicts of interest as Senator McDougald was financially interested in Beauharnois and Senator Sifton's son, Winfield, was its Ottawa lobbyist.[17]

The second development was the lease Beauharnois received from the Taschereau government for the water rights to the Quebec section of the St. Lawrence on June 23, 1928. Although the lease appeared to upstage the Supreme Court's decision on jurisdiction, still to be rendered, King did not object. The Quebec government had agreed that the lease would not prejudice the federal government's proprietary rights if the Court determined that the federal government owned the water. Such an agreement was precisely what Ferguson had sought from King, but Ontario did not have Quebec's capacity to act unilaterally because of the international implications of its proposal.[18] The consequence of these two developments would be that the H.E.P.C. would have to meet its future power needs on the Ottawa river or from Beauharnois.

The Supreme Court's decision on navigation/power development issues, delivered February 5, 1929, was a victory for the provinces. Written by Justice Lyman Duff, it stated that the federal government had no right to the "whole beneficial interest" of navigable rivers, and therefore could not "constitutionally assume" control over water power not needed for navigation.[19] On the basis of this decision, Ferguson sought to negotiate an end to the jurisdictional dispute, but King argued that

the decision had not removed the federal government's authority to licence power developments.[20] King's position was seen in its full light four weeks later when the federal cabinet approved Beauharnois promoter R.O. Sweezy's plan to finance and build a dual purpose canal/power development on the Quebec section of the St. Lawrence on March 8th. In approving the project, King conceded the provincial rights position on the ownership of water on navigable rivers, as the Court had declared, but he did not relinquish the power to approve such projects or to ensure that power developments financed navigation works.[21] Neither had been a question referred to, or resolved by, the Supreme Court. As a result, the H.E.P.C. could not even proceed on the Ottawa river.

Although Sweezy's victories with the Taschereau and King governments were important, he needed to secure a large power contract with the H.E.P.C. to receive financing for the Beauharnois project.[22] Notably, he had reached an "informal understanding" with the H.E.P.C., according to T.D. Regehr, before he had received the federal cabinet's approval. A tentative agreement with the H.E.P.C. was later reached on June 10, 1929, but its finalization was delayed until after Ferguson had first held an election. Subsequently, the O.M.E.A. approved of the purchase after having been consulted by the H.E.P.C. and the Conservatives were returned in an October 30th election. The Ontario cabinet then approved the H.E.P.C.'s agreement with Beauharnois on November 29th, with the official contract signed the next

day. Given the stock market collapse a month earlier, the government had presumably assessed the implications of the economic downturn before approving the power purchase.[23]

A by-product of the Ontario government's open involvement in the H.E.P.C.'s affairs was that members of the Legislature had questioned the dealings with Quebec companies in early 1929. According to Nelles, Mcgrath refused to provide any information on the grounds that "business secrecy" was as imperative in the public sector as in the private sector. In his view,

> Disclosure should be left to the discretion of the commission ... and if the Legislature questioned its judgement, and after the pros and cons had been fully debated and good cause established, then the commission would submit to its will. But on "sound business lines" ... the government should protect the commission against the meddling interference of the Legislature.[24]

Ferguson supported Mcgrath's position, and both justified themselves on the grounds that the H.E.P.C. should not have to submit to the same degree of scrutiny as a government department.[25]

As future events would reveal, Ferguson and Mcgrath's view on disclosure would prove to be sustainable only when the economy was buoyant. It would not be sufficient for shielding the H.E.P.C. from criticism of the contracts with Gatineau and Beauharnois and of others made with the Ottawa Valley Power Company in February of 1930 and 1931, with the James MacLaren Power Company in December 1930 and January 1931, and a contract with the O.P.S.C. in northern Ontario in April 1930.[26] Moreover, Ferguson and Mcgrath would resign in 1930 and 1931 respectively,

and henceforth not be in a position to defend their view of the H.E.P.C.'s accountability and the rationale for the contracts.

The Henry Government and the H.E.P.C., 1930-32

The years 1930 and 1931 brought a number of important changes to the make-up of the leadership of the H.E.P.C. and Ontario political parties. First, after seven years as premier, Ferguson stepped down at the relatively young age of 55 on December 15, 1930. He was succeeded by 59 year-old George S. Henry, his Minister of Public Works and Highways. Second, Mitchell F. Hepburn, an outspoken 34 year-old federal M.P., became provincial Liberal leader two days later on December 17th, while retaining his seat in the House of Commons.[27] Third, Mcgrath retired as H.E.P.C. chairman on February 6, 1931 at age 70 without an immediate successor.

Hepburn, who was the seventh Liberal leader since the party had fallen into opposition in 1905, quickly invoked H.E.P.C. issues to reverse his party's fortunes. The political vulnerability of the government for the H.E.P.C. had become apparent to the Liberals when the first power surplus of the depression was recorded in early 1931. During the legislative session, the Liberals questioned the seeming paradox of why the H.E.P.C. imported large amounts of electricity from Quebec while it exported equally large amounts from Niagara at a net loss. Although Henry responded that the H.E.P.C. was bound to the export contracts of the private companies it had previously

purchased, according to Denison the logic of this arrangement was lost on the public. Following the session, the H.E.P.C., still without a chairman, came to its own defense on May 6th. Under Cooke, the minister without portfolio, and Maguire, still the O.M.E.A. president, it criticized the Liberals' source of information, namely the bond prospectuses of the Quebec companies. Hepburn replied by charging that this foray into the partisan arena proved the H.E.P.C. had been "corrupted by politics."[28]

Although Hepburn did not relent in his criticisms, he made a significant political blunder. In a speech at Milton on May 21, 1931, he charged that power was now more expensive to produce in Ontario than it was in the United States, failing to recognize that the source of his figures would be controversial. According to John T. Saywell, he had quoted directly from a "propaganda pamphlet" published by a Chicago based private power lobby dedicated to undermining the H.E.P.C.[29] This incident, which would be repeatedly used against Hepburn, undoubtedly confirmed for the government that poor judgement would be Hepburn's undoing. With this outlook, Henry would misjudge the adversarial temperament of the revived Liberal opposition.

In his appointments to the H.E.P.C. on June 8, 1931, Henry abandoned Ferguson's formula of appointing a non-partisan chairman alongside government and municipal constituency representatives. Instead, he stacked the H.E.P.C. with partisans. With Maguire remaining the O.M.E.A. representative, Cooke was made

the new chairman, while remaining a minister without portfolio, and former Conservative prime minister Arthur Meighen was made a commissioner even though he did not represent an H.E.P.C. constituency. To make matters worse, at the end of a widely reported speech to the O.M.E.A. summer convention on June 26th, the H.E.P.C.'s chief engineer, F.A. Gaby, castigated Hepburn for "gross exaggeration" in his criticisms of the H.E.P.C. Gaby also did not fail to point out to these disciples of public ownership that Hepburn's source of information had been a private power lobby.[30] As a result of their partisanship, the H.E.P.C.'s own commissioners and staff, not just the Liberal attacks, would draw it into the warfare between government and opposition.

Hepburn soon found a new reason to criticize the Henry government and the H.E.P.C. In the summer of 1931, a House of Commons Special Select Committee investigating the Beauharnois power development uncovered a political scandal that involved the H.E.P.C. During the Committee's hearings, Beauharnois promoter R.O. Sweezy testified that he had given the Ontario Conservative party $125,000 through John Aird Jr. in exchange for the H.E.P.C.'s contract with Beauharnois. When questioned, Aird, who was a consulting engineer by profession, stated that the money was for engineering services rendered, a view which Sweezy denied.[31] Although nothing could be proved, the Liberals argued throughout the fall of 1931 that Ontario taxpayers were left financially responsible for the mismanagement of the H.E.P.C., adding to the list of H.E.P.C. faults the contract with

the O.P.S.C. in northern Ontario. In a thinly veiled counter-attack on the Liberals, Maguire addressed the charges at the O.M.E.A. convention in January 1932. He stated that criticism of the H.E.P.C. was inspired by opponents of public ownership.[32]

In an effort to clear the air of Hepburn's various charges, Henry appointed a royal commission under Justice W.E. Middleton on February 3, 1932, but did not include in its terms of reference the thorny issue of the Beauharnois payment to Aird.[33] Despite Henry's efforts, the Beauharnois scandal remained prominent. On the same day that Henry appointed the inquiry, Prime Minister R.B. Bennett appointed H.E.P.C. commissioner Meighen to the post of Government Leader in the Senate and Minister without Portfolio. Meighen's first assignment was to lead a Special Senate Select Committee inquiry into the improprieties of three Liberal Senators who had been implicated in the Beauharnois scandal -- McDougald, Andrew Haydon and Donat Raymond.[34]

Meantime, with Hepburn's criticisms of the H.E.P.C. and the government continuing, Henry set out to silence him. In a speech in the Legislature on February 18, 1932, Henry repeated the charge that Hepburn's speeches were inspired by anti-public ownership sentiment in the United States. Although devastating for a time, the impact of this counter-attack was blunted when Senator Haydon testified before Meighen's Senate inquiry on March 15th. He claimed that Ferguson had personally received $200,000 from Beauharnois promoter Sweezy in addition to the

$125,000 paid to Aird. Although the charge was not substantiated, Justice Middleton recommended that the mandate of his royal commission be extended to include the payment t Aird, and Henry agreed in order to placate the Ontario opposition.[35]

The creation of the royal commission nonetheless provided the H.E.P.C. and the government with a reprieve from criticism, one which allowed Henry to deal with another potentially explosive issue which had yet to surface publicly. In February 1932, he had been informed that the O.P.S.C. was in danger of financial collapse with its generating station uncompleted. Although Ferguson had initially encouraged him to add the O.P.S.C. lease to the royal commission's terms of reference, Henry, who was "felled" by an ulcer at the time, held the issue over until after the legislative session had ended. On June 25th, with the company facing receivership on July 1st, Henry announced that the government would negotiate for its purchase. A debt-equity exchange was arranged on July 28th, with $18 million in H.E.P.C. debentures to be traded for $20 million in O.P.S.C. bonds. With this issue resolved, the government had only to worry about the royal commission, which reported October 31st. It exonerated the H.E.P.C. of any wrongdoing, but the public, according to Saywell, remained "suspicious".[36]

The H.E.P.C. in the Partisan Arena, 1933

Now cautious not to be critical of Hepburn or incite the Liberals generally, Chief Engineer Gaby set out a reasoned ex-

planation for the H.E.P.C.'s power surplus in a speech to the O.M.E.A. convention in January 1933. His general point was that the H.E.P.C. did not have an indication of the severity or prolonged character of the depression when it had planned supply for the 1930s. In purchasing Quebec power, it had decided to increase supply by 7.7 percent, a figure which was 30 percent below its historical 11.4 percent average growth in demand. Although this still resulted in a larger than normal power surplus, or reserve, Gaby added that the H.E.P.C. would have been "lax in its responsibility" if it had not provided for post-depression recovery. The reason was that a utility cannot wait for demand to materialize to make provisions for supply. In sum, he claimed the H.E.P.C. had planned supply with "reasonable caution" and that the reserves would be justified when the economy improved.[37]

This moral high-ground was soon lost when the government was rocked by a scandal over the H.E.P.C.'s purchase of the O.P.S.C. On March 22, 1933, Progressive leader Harry C. Nixon, who was in alliance with the Liberals, asked Henry in the Legislature whether any member of the cabinet or any of the H.E.P.C. commissioners had a financial stake in the O.P.S.C. at the time of its purchase. With rumour of impropriety, the question was loaded because Henry had personally negotiated the deal at only a 10 percent discount and the H.E.P.C. commissioners had given it their formal approval. Two weeks passed before Henry responded on April 5th that he had owned $25,000 of O.P.S.C.

bonds since August 1930 and that Meighen had owned $3,000 since November 1931. On another question, Henry responded that Meighen, as chairman of Canadian General Investments, Limited, had controlled O.P.S.C. bonds since 1929. Henry added, however, that since Meighen had not been privy to the negotiations for the O.P.S.C., it was not necessary to disclose his company's investments.[38]

Seeking to elevate the scandal to the level of Beauharnois, Hepburn deplored the use of public funds to save Henry's and Meighen's investments. Henry, for his part, apologized for the impropriety and was able to survive the ordeal, according to Neil McKenty, because it was his "political judgement" rather than his "honesty" that was in question. Meighen, for his part, rose in the Senate on April 6, 1933, the day after Henry's revelation, to state that he had done nothing wrong. He nonetheless faced lingering criticism that he profited from prior knowledge of what price would be paid for the O.P.S.C. bonds. In his view, the criticism had been orchestrated to make his 1932 indictment of the Liberal senators appear hypocritical. According to Graham, Meighen was powerless to stop this revenge because Henry had refused his requests for an inquiry.[39]

With the O.P.S.C. scandal inhibiting the government from coming to the H.E.P.C.'s defense, the H.E.P.C. participated in a direct partisan exchange with the Liberals. It began on August 19, 1933 when Arthur W. Roebuck, a nominated Liberal candidate whom Hepburn had publicly promised to appoint attorney general,

gave a widely reported speech decrying "the wreck of the Hydro." Three days later, August 22nd, the H.E.P.C., following what Nelles calls the "logic of bureaucratic self-preservation," published a pamphlet purporting to "examine and correct" Hepburn's "misleading assertions" on its finances and power reserves. In addition, it challenged Hepburn in the name of "personal probity" to make public retractions. The next day, August 23rd, Hepburn responded that the public was less concerned with himself than the power surplus the H.E.P.C. had created to "further the interests of the Tory party and the Quebec power barons." Rather than let the matter rest, the H.E.P.C. published a second pamphlet on August 31st. It argued that Hepburn should "publicly and without ambiguity" withdraw the assertions.[40]

Likely needing to justify the H.E.P.C.'s counter-attack on Hepburn, Cooke, paradoxically, sought to distance the H.E.P.C. of which he was chairman from the government of which he was a minister. In a September speech to a Conservative party conference, he argued that the H.E.P.C. was the "trustee" of a municipal cooperative rather than a government enterprise. He also maintained that the government's supervision of the H.E.P.C. affairs was limited to the debt it had guaranteed.[41] Whether this separation could be believed or not, the impropriety of the H.E.P.C. having openly criticized Hepburn was not lost on the Liberals. For them, it was confirmation that the H.E.P.C. leadership, Cooke, Meighen, Maguire and Gaby, among others, was as partisan as the Henry government.

The H.E.P.C. and the 1934 Election

With the last election having been held in 1929, Maguire rekindled the H.E.P.C.'s offensive at the O.M.E.A. convention in January 1934. Notably, his address reflected his conflicting loyalties as the association's president and an H.E.P.C. commissioner, as well as indiscrete partisanship. In addition to arguing that the H.E.P.C. would one day be commended for the foresight of the Quebec contracts, he exhorted O.M.E.A. members to be "loyal to hydro and public ownership." When reporters asked whether he was accusing the Liberals of being in tow with private power interests, on February 15th he stated that the H.E.P.C. and the municipalities "need to be increasingly on guard" from attacks, but refused to name the perpetrators. The message was later made clear when Nixon, in the banter of legislative debate, stated on March 13th that the Liberals, if elected, would fire Gaby for criticizing Hepburn before the O.M.E.A. in 1931. For his part, Cooke, with his own conflicting loyalties, took up the challenge by defending Gaby's speech as "impersonal" in nature and the references to Hepburn as "incidental".[42]

With the Legislature prorogued on April 3, 1934, the H.E.P.C. would figure prominently in the looming election campaign. Aware of the government's election plans, Cooke sent a letter as H.E.P.C. chairman to all municipal hydro leaders on April 20th. He drew to their attention the H.E.P.C.'s past difficulty in countering the "persistent repetition of misstatement" and

called on them to "perform a public service of real value" by distributing and making reference in public discussion to four memoranda he included with the letter. They all focused upon likely election issues. Ten days later, with Hepburn promising to appoint an inquiry into the purchase of the O.P.S.C. if elected, Meighen resigned as an H.E.P.C. commissioner on April 30th. He believed, Graham reports, that the continuing allegations against him were an embarrassment to the government. Meighen then requested, as a federal minister and government leader in the Senate, that Prime Minister Bennett appoint an inquiry, according to Graham, to "forestall" the one promised by Hepburn.[43]

Following the election call on May 16, 1934, the H.E.P.C. openly participated in the campaign in a partisan manner. It published Paid for Propaganda: Who Instigates Attacks on Hydro on June 7th. This pamphlet not only raised the spectre of a renewed assault on the H.E.P.C. from private interests in the United States; in Nelles' view it "implied" that the Liberal party was a "mouthpiece" for these interests and urged Ontarians "to choose between Mitch Hepburn and the memory of Adam Beck."[44] In addition to this impropriety by the H.E.P.C., the Conservatives, having been in power for all but four years of the H.E.P.C.'s existence, immodestly claimed during the campaign that the H.E.P.C.'s many "achievements" were their own.[45]

Having entered the partisan fray, the H.E.P.C. was not alone in leaving itself poorly positioned for the Liberal

victory which resulted from the June 19, 1934 election. The same held for the O.M.E.A. and Senator Meighen. In Brady's view, the O.M.E.A. had been too close to both the H.E.P.C. and the government for a "critical discussion" of policies to take place. Maguire recognized this himself when he offered his resignation to the O.M.E.A. at its summer convention on June 28th, ten days after the election. Although the offer was not accepted, he nevertheless faced criticism from the delegates for politicizing the H.E.P.C.'s affairs. The convention did, however, express "alarm" at the prospect of "governmental interference" from the Liberals and the threat to fire Gaby. In response, it decided to send a delegation to meet with Hepburn. As for Senator Meighen, his request for an inquiry into his conduct was granted by Bennett under (now) Chief Justice Duff on July 6th,[46] just days before Hepburn was to take office. It would not, however, dissuade Hepburn from launching his own inquiry with a broader mandate.

The Hepburn Government and the H.E.P.C., 1934

The H.E.P.C.'s partisanship in the 1934 election guaranteed a tumultuous relationship after the Liberals took office on July 10th. The next day, July 11th, Hepburn removed the remaining Henry government commissioners, minister without portfolio Cooke and O.M.E.A. president Maguire, by order-in-council. For chairman, Hepburn appointed T. Stewart Lyon, the former editor of the Globe and, according to Saywell, a "passionate advocate of

public ownership." For commissioners, he appointed two ministers with portfolio, Attorney General Arthur W. Roebuck, who had been a leading critic of the H.E.P.C., and Minister of Public Works and Highways Thomas B. McQuesten.[47] With two ministers as commissioners, which was the government's statutory prerogative, an overall majority on the H.E.P.C. was subject to cabinet control. Thus, Hepburn had followed the Ferguson formula in part by appointing a non-partisan outsider as chairman rather than select the chairman from cabinet, but he did not balance government and municipal constituency representation. For its partisanship, the O.M.E.A. not only lost its representation; Hepburn also refused to give the association its requested hearing.

The new H.E.P.C. commissioners met for the first time on July 12, 1934, the day after their appointment. With Hepburn having stated immediately after his government was sworn in that he would "insist" on Chief Engineer Gaby being fired, the commissioners wasted little time before cleaning house. Gaby and General Solicitor I.B. Lucas, who was a former commissioner and the attorney general in the Hearst government, were fired outright and the forty-six employees with salaries over $5,000 were dismissed, although with an option to renegotiate their salaries. A.V. White, later determined to have been the author of Paid for Propaganda, would also be fired. As for Gaby's former duties, they would be divided, with T.H. Hogg promoted to Chief Engineer, Hydraulic and Operation, and R.T. Jeffery

promoted to Chief Engineer, Municipal Relations and Rural Power.[48]

The same day, July 12, 1934, Hepburn appointed his promised royal commission inquiry into the O.P.S.C. under Justices F.R. Latchford and Robert Smith. Reporting on October 20th, the inquiry concluded that Henry was "precluded" from participating with "propriety" in the purchase of the O.P.S.C. because he had a personal financial interest of $25,000 and a previously undisclosed business interest of $200,000 as a director of the North American Life Insurance Company. Moreover, in addition to shedding light on Henry's conflict of interest, the inquiry questioned his business judgement for negotiating the purchase of the O.P.S.C.'s bonds at 90 percent of face value. Although Henry emphasized that the bonds would have yielded only 71 percent if traded on the open market, the inquiry determined that they were trading at 30 to 40 percent in June 1932, the month before he announced that the government would purchase the company.[49]

Faring worse was Meighen, who was not investigated by the federal inquiry appointed by Bennett. Chief Justice Duff had left the country before beginning his inquiry and on his return announced on July 16, 1934 that he would not proceed given that the Latchford-Smith inquiry was already under way. The latter determined that in addition to Meighen's personal interest of $3,000 in O.P.S.C. bonds, he had controlled another $300,000 in the name of Canadian General Securities. More damaging, however, was the fact that immediately after Henry formally requested the

H.E.P.C. to purchase the O.P.S.C. on July 28, 1932 at 90 percent of face value, Meighen traded extensively in its bonds for as little as 62.5 percent. Although this was not considered unethical in itself, that he simultaneously voted as an H.E.P.C. commissioner to accept the terms of the O.P.S.C. purchase on August 2nd without disclosing his financial interest was considered unethical. In his own defense, Meighen argued that the vote was a pro forma ratification of the government's terms, but the inquiry found no statutory basis for this view. In addition to finding that he had an obligation to disclose his interest, it stated that he should have removed himself from the decision.[50]

Although Meighen was vindicated of the charge of insider trading, he was soon after included in a civil law suit launched by the H.E.P.C. to recover $4,553 of its funds. The case against him, Maguire, Gaby, and Lucas arose following Lyon's discovery in October 1934 that private detectives had been paid to spy on the Liberals prior to the election. Notably, Cooke was not included in the suit because he had died on August 13th while the Latchford-Smith hearings were in progress. According to Nelles, he had driven his car into a bridge after he "went to pieces" under the strain of events.[51]

On the heels of Lyon's discovery, the new commissioners, two of whom were ministers, took a second action by appointing A. Murray McCrimmon H.E.P.C. Controller, a new non-statutory position, on November 1st. Having been Assistant Secretary since August, he assumed the two posts with the qualification of

having held executive positions with the Brazilian Traction, Light, and Power Company. Not only was the lateral entry of a person with a private sector background in so sensitive a position unprecedented for the H.E.P.C.; the particular company undoubtedly caused some discomfort with those wary of the Commissioners' intentions. The reason was that William Mackenzie, the former principal of the defunct Toronto Power Company who had done battle with Beck, was Brazilian Traction's founder. In addition, McCrimmon's uncle, Alexander Mackenzie [no relation to William], had been president of the latter and his brother Kenneth was its corporate secretary.[52]

The H.E.P.C.'s finances were also the subject of Lyon's address to the January 1935 O.M.E.A. convention. He announced a significant separation of the government and H.E.P.C. accounts. Arrangements had been finalized, with statutory changes to follow, for all H.E.P.C. debt to be placed in the name of the H.E.P.C. rather than the government, although with the government guarantee continuing.[53] This concession to H.E.P.C. autonomy did little to appease the delegates, but the reason was not that the change was self-serving by removing the H.E.P.C.'s debt from the public accounts. With the convention being the first since Hepburn had taken power, the delegates were still upset by the snub the O.M.E.A. had received in his 1934 appointments to the H.E.P.C. and the fact that he had refused to receive an O.M.E.A. delegation. In frustration, they unanimously demanded that the government renew their representation. The convention did,

however, close on a conciliatory note. President-elect James Simpson, the Mayor of Toronto, stated that the O.M.E.A. had no "right" to representation, but that the justness of its cause would eventually get it a hearing.[54]

As for the lawsuit against the former H.E.P.C. leaders, Maguire, who resigned as O.M.E.A. president at the convention, used his last address to defend their use of private detectives to track "insidious propaganda." He claimed it was a practice which had been begun by Beck for the sake of "eternal vigilance." Although the trial did not commence until 1936, the suit would eventually be dismissed with the judge stating that the H.E.P.C.'s case "failed miserably." The case had nonetheless permitted Lyon, and presumably Hepburn, to humiliate the H.E.P.C.'s former leadership.[55]

Renegotiating the Quebec Contracts, 1935-37

In line with the bad experience of the Henry government, Hepburn would author his own political troubles when his government's control over the H.E.P.C. was extended into its business decisions. In the winter of 1935 the government proceeded with its plan to renegotiate the Quebec contracts, having vowed to do so prior to the election and go "back to Niagara" for future power requirements.[56] When the legislative session began, Attorney General Roebuck, the H.E.P.C. commissioner, led the government's attack with a nine hour speech spread over February 25th, 26th and 27th. Backed up by research from Jeffery, the chief engineer

for municipal relations and rural power, (which Jeffery later disavowed) and a legal opinion from constitutional lawyer Lewis Duncan, Roebuck charged that the Quebec contracts were not only "outrageous and inequitable," but "illegal and unenforceable." The latter contentions, which caused "chaos" in the bond markets according to Saywell, were based on two premises. The first was that the interprovincial character of the contracts placed them in federal jurisdiction, and therefore beyond the capacity of two provinces to negotiate. The second, drawing on the view that the H.E.P.C. was the trustee of a municipal cooperative, was that the contracts lacked the consent of the municipalities.[57]

Although the legal quality of Roebuck's grounds was dubious, this would be lost in the controversy sparked by the threat of repudiation. The controversy was pronounced because although he had been preparing his case against the contracts since the election, he had done so without revealing what action could be expected. Repudiation was even a surprise to the cabinet, to which he had not disclosed his intentions until, in his own admission, "the very last moment." As a result, his addresses left the cabinet "sharply divided" according to Saywell, with Nixon, among other senior members, believing the contracts were valid. As for Hepburn, he had previously told Roebuck that he wanted to settle the dispute "peaceably", but was campaigning in northern Ontario when the controversy erupted.[58]

On Hepburn's return to Queen's Park on February 28, 1935,

the cabinet met to discuss repudiation. Following the meeting, Hepburn revealed publicly that the cabinet had yet to take a position on the legality of the contracts, but added that the opinion of Roebuck would carry great weight. Following another meeting on March 4th, Hepburn declared that "the Cabinet to a man [was] right behind Mr. Roebuck." The cabinet was not aware, however, that Roebuck had not been forthcoming about the H.E.P.-C.'s power supply. He had failed to disclose that Stone and Webster, a Boston based engineering consulting firm, had informed him in October 1934 that expected improvements in the economy would create a shortage in the event of repudiation.[59]

Roebuck also made his case against the contracts in a four part address on C.F.R.B. radio in late March 1935. He used the time to review the H.E.P.C.'s affairs under the Ferguson and Henry governments, arguing primarily that the Quebec contracts would have been unnecessary even if the depression had not occurred. Notably, in the first three addresses he invited listeners to write him so he could be guided by them to a "just and courageous decision" on whether to accept the "burden" of these "improvident" contracts or take "action". In the fourth, he offered to "assist" the listeners in coming to the conclusion that the contracts were "void".[60]

Undoubtedly as a display of government unity, Hepburn himself introduced the Bill to declare the Quebec contracts "illegal, void and unenforceable" on April 1, 1935. When debate began on April 8th, both the government and opposition engaged in a

pitched battle that lasted around the clock until the legislation was passed on April 11th. Notably, the Act had two provisions which provided leverage for renegotiating the contracts: it barred legal reprisals and it permitted revised contracts subject to cabinet approval. In addition, the Act also assured that power would be supplied if needed by providing for delayed proclamation. This last provision, however, only surfaced by amendment during debate. It resulted after Hogg, the chief engineer hydraulic and operation, had informed Lyon that the H.E.P.C. was ill-prepared to operate without Quebec power. At this point, Lyon had to inform Hepburn that Roebuck had kept himself and Hogg in the dark. According to Armstrong, Hogg's view was later confirmed for Hepburn by Stone and Webster in July 1935. Its report stated that Ontario would face a power shortage by late 1937 if the contracts were cancelled and no thermal plants were constructed.[61]

In the midst of the high politics surrounding the contracts, McCrimmon, the controller, delivered a confidential report to Lyon on the H.E.P.C.'s organization on August 7, 1935. In addition to making recommendations for improvements along "business lines," the centrepiece recommendation was that the commissioners be "relieved" by management of all "purely administrative" matters so they could devote their attention to "general policy." In suggesting such a modern corporate division of labour, McCrimmon felt the commissioners need only "meet every fortnight, or even monthly to consider reports" from

management. With the hands-on political control of two ministers on the commission and the seriousness of the dispute with the Quebec companies, his recommendation for such decentralization would not be followed.[62]

With the threat of repudiation alone having not proved sufficient to entice the Quebec companies to renegotiate their contracts, the H.E.P.C. made motions toward repudiation in the fall of 1935. On September 19th two of the companies were notified that the additional power slated for delivery in their contracts on October 1st would not be accepted. The next day, according to Saywell, Hepburn received an assurance from Stone and Webster that although the H.E.P.C. would be at some operational risk without Quebec power, it could meet the "probable consequences." Hogg disagreed with this conclusion and, by memorandum to the commissioners, warned that the H.E.P.C. would only be able to operate with "interim emergency" service under "hazardous" conditions. Roebuck brought the memorandum to cabinet on October 17th, but with the misleading notation that Hogg believed the H.E.P.C. could function without Quebec power. The cabinet accepted this advice, which paved the way for repudiation to proceed.[63]

On October 18, 1935, the H.E.P.C. commissioners, Lyon, Roebuck and McQuesten, voted unanimously to stop taking power under the Quebec contracts as of October 22nd. They also recommended to the cabinet that the repudiation provision of the statute be proclaimed in order to cancel the contracts outright.

There followed, according to Roebuck, a meeting between the four Quebec companies and the full Ontario cabinet on October 23rd. The companies, for their part, asked for and received time to come forward with concessions. Gatineau, according to Saywell, then made an "under-the-table" agreement for the delivery of power, which resumed before the end of October. Thereafter, Beauharnois, MacLaren and Ottawa Valley offered to write-off 45 percent of the H.E.P.C.'s losses on each of their contracts. At a second meeting with the cabinet on December 4th, Roebuck rejected the write-off proposal on the grounds that it required the H.E.P.C. to divulge data on consumption. Hepburn then informed the companies that the repudiation provision would be proclaimed that day. Since the companies could not revise the terms of their contracts without the consent of their bondholders, repudiation was needed, he informed them, to force their bondholders' hands.[64]

Although repudiation affected all the contracts equally, Lyon and Roebuck would later reveal that the H.E.P.C. had decided beforehand to arrange new contracts with all the companies except Beauharnois. Towards this end, tenders were invited from all four companies, but terms were arranged with only Gatineau and MacLaren on December 20, 1935. Gatineau's tender set the pattern, offering to supply power at $12.50 per horsepower instead of $15.00 and to accept liability for increases in Quebec taxation. In exchange, Gatineau asked for and received a 10 year preferential supply arrangement whereby the H.E.P.C.

would take-up the full complement of its previous contract before any other Quebec power would be purchased. Facing insolvency, MacLaren revised its offer to meet Gatineau's price, although for a fixed supply of less than one third of the power in its previous contract. Its contract would be officially signed February 1, 1936 one week before Gatineau's on February 8th, presumably to obviate the latter's supply preference. With the tenders of Beauharnois and Ottawa Valley rejected, these companies would seek legal redress on the basis that the repudiation Act was ultra vires.[65]

The high stakes nature of the legal battle over repudiation was sufficiently controversial for Lyon to withdraw his commitment to address the O.M.E.A. in January 1936, breaking the tradition of the H.E.P.C. chairman's address to the convention. What followed was a two year legal conflict over the contracts. The first sign of victory in the struggle came for Ottawa Valley on November 19, 1936 when the Ontario Court of Appeal found that a provincial legislature was "powerless to derogate from civil rights outside the province." On November 23rd, Hepburn called the decision a "temporary hollow victory" and stated that his government, "in the public interest, will fight to the finish and, I repeat, never pay." As was to be expected, Beauharnois would win its suit on January 13, 1937 in the Supreme Court of Ontario, at which point the H.E.P.C. would launch appeals of both court rulings.[66]

In order to respond to the H.E.P.C.'s losses in court, the

cabinet decided on January 4, 1936 to recall the Legislature on January 19th, three weeks earlier than usual. The purpose of the special session was to permit Roebuck to introduce three pieces of legislation that would ensure the H.E.P.C. was beyond the jurisdiction of the courts. His objectives were to reaffirm that the consent of the attorney general was required for suit against the H.E.P.C.; to shield the property of the H.E.P.C. from court awarded damages; and, to exempt the H.E.P.C. from having to provide a security deposit for J.C.P.C. appeals. With this flurry of activity under way, Hepburn left for Arizona on January 16th to recuperate from bronchitis, leaving Nixon as Acting Premier.[67]

The Hepburn Premiership and the H.E.P.C., 1937

Given the power shortage that had been predicted to appear by the winter of 1937-38, the government's continued dispute with the Quebec companies was becoming an embarrassment. With the political consequences of a power shortage understood, the government needed to ensure an adequate supply for the H.E.P.C., but Lyon and Roebuck ruled out further Quebec contracts. They were adamant in their opposition to this solution because their alternative, the "back to Niagara" scheme, was now more than rhetoric. It involved redirecting water from the Hudson's Bay watershed into Lake Superior with the extra flow at Niagara increasing the H.E.P.C.'s output by 100,000 horsepower. Standing in the way, however, was the fact that the United States, since

Roosevelt's re-election in November 1936, had been pressing for a St. Lawrence development agreement with Canada. With Ontario needed as a party to an agreement but not in need of power from the St. Lawrence if the diversions went ahead, approval for the diversions would likely not be forthcoming from the I.J.C. In the face of these pressures, Roebuck and Hogg had met with federal officials on January 14, 1937, where Roebuck, according to Saywell, made the "startling proposal" that the H.E.P.C. might proceed with the diversions without I.J.C. approval.[68]

Unable to wait for approval and construction of the Hudson's Bay diversions to secure a reserve margin of power and avoid a power shortage, Hogg, the chief engineer hydraulic and operation, informed Acting Premier Nixon of his plight directly on January 20, 1937. Much to Lyon's consternation, he told Nixon that the H.E.P.C. should come to terms with Ottawa Valley, which, despite the commissioners' pronouncements to the contrary, was prepared to settle. On January 22nd, with Roebuck pressing his Bills through the Legislature, Nixon responded by sending Minister of Labour David Croll to Arizona with a note from himself and a report from Hogg to apprise Hepburn of the situation. House Leader Harold Kirby also wrote independently that the caucus favoured a settlement. On January 24th, Hepburn consented to the negotiations and insisted that the two most controversial of Roebuck's Bills, the shield from court awards and the exemption from providing security for J.C.P.C. appeals, should be amended to permit delayed proclamation. With these

changes, the legislation passed January 29th, at which point the session adjourned.[69]

In spite of this turn of events, the H.E.P.C. would only reach new terms with Ottawa Valley after further political interventions. At Nixon's request, the company's representatives came to Toronto on February 1, 1937, but Lyon refused to meet with them on the grounds that Nixon had pre-arranged the terms of the settlement. In writing, Nixon ordered Lyon to negotiate, and Roebuck and McQuesten, the two ministers on the H.E.P.C., had to be pressured as well. An initial agreement was worked out on February 4th, but the negotiations bogged down with Lyon insisting on an option to buy the company and the company refusing to absorb increases in Quebec and federal taxation. Both relented in the agreement forged on February 12th, but only after Hepburn had cut short his stay in Arizona on February 8th to return and break the deadlock. Notably, in reaching this settlement the government abrogated Gatineau's preferential supply arrangement of 1936. The new Ottawa Valley contract was drafted as a revision to its earlier contracts of 1930 and 1931 in order to predate Gatineau's supply preference and it was ratified "notwithstanding" any other Act. Ironically, O.M.E.A. president F.C. Elliott had lectured his membership on February 3rd, in the midst of these negotiations, on the need to have "no political bias in dealing with Hydro matters."[70]

Although Roebuck's and Lyon's opposition to purchasing power in Quebec was well known, it did not yet place them on the

wrong side of the government's new pragmatism on Quebec contracts. In February 1937, Hepburn committed himself to their Hudson's Bay diversion plans after Roebuck and federal officials, at the behest of the Roosevelt administration, had resolved the impasse over Ontario's objections to a St. Lawrence treaty. Under the treaty's proposed terms, the H.E.P.C. would be permitted to proceed with the diversions immediately and to delay its power development obligations on the St. Lawrence for up to ten years. However, in March 1937 Hepburn informed King that the treaty would have to wait for two reasons. First, he realized that the H.E.P.C. would not need the power from either the diversions or the St. Lawrence if the impending decision of the Ontario Court of Appeal went in favour of Beauharnois. Second, he feared that the treaty would publicly reveal that Ontario faced a power shortage, and thus he wanted to hold an election before making the policy reversal. The Roosevelt administration agreed to hold the treaty over until 1938.[71]

With the "back to Niagara" scheme ostensibly the government's policy, it was surprising that Attorney General Roebuck, the leading proponent of this scheme, was encouraged to resign from cabinet on April 14, 1937. He did so at Hepburn's request for, allegedly, breaking ranks on the Premier's campaign against American industrial unions. It was also the case, according to Saywell, that Roebuck had lost "credibility" with the cabinet and caucus over hydro policy. As a result, he also resigned as an H.E.P.C. commissioner later in April, believing that con-

tinuing would leave the wrong impression of his relationship with the government. Later, he would claim that he was forced to resign from both the cabinet and the H.E.P.C. because he would not be party to a new contract with Beauharnois. Despite this claim, on May 19th Roebuck received, with Hepburn's consent, an offer to be the H.E.P.C.'s lawyer for an expected appeal of the Beauharnois case to the J.C.P.C.[72]

Whether or not Roebuck faced pressure over Beauharnois, renegotiation was an important objective. The government needed to avoid a loss of its current Beauharnois appeal and the H.E.P.C. needed the power to avoid a shortage. Both sentiments were expressed directly to Hepburn by Jeffery, the chief engineer of municipal relations and rural power, on June 8th. Nevertheless, the contracts would not be renegotiated at this time, according to McKenty, because Hepburn feared that it would lead Roebuck to campaign against the government in the forthcoming election. Notably, Roebuck received his H.E.P.C. retainer for the Beauharnois J.C.P.C. appeal the next day, June 9th. After the Beauharnois decision was upheld by the Ontario Court of Appeal on June 22nd, Hepburn moved to minimize the defeat for the H.E.P.C. through three actions. First, he had Roebuck's legislation to shield the H.E.P.C.'s property from court awards and exempt it from providing security for J.C.P.C. appeals proclaimed. Second, he appealed the appeal court ruling to the J.C.P.C. even though he was advised the H.E.P.C. would lose there as well. And, third, as a public display that government

policy had not changed, Hepburn permitted construction on the Hudson's Bay diversions to begin in July 1937 even though they lacked I.J.C. approval.[73]

Although the prospect of a power shortage was an issue raised by the Conservatives in the campaign for the October 6, 1937 election, it did not affect the outcome as the Liberals were returned with a second majority. Hepburn had deflected the opposition's criticism during the campaign by drawing attention to the financial advantages of repudiating and renegotiating the Quebec contracts and by extolling the virtues of the "back to Niagara" scheme. Ten days after the election, however, the policy of the government changed when Beauharnois, recently acquired by Sir Herbert Holt's Montreal Light, Heat and Power, served notice on October 16th that it wanted to negotiate a new contract. Hepburn agreed to these negotiations, but Lyon obstinately stood in the way. As a result, Hepburn asked for Lyon's resignation, which was received on October 21st. Although McQuesten, the third and only other appointee, continued as Minister of Highways, he was removed from the H.E.P.C. as well at this time with the only apparent reason being a change of policy. As for McCrimmon, the secretary and controller, he resigned at this time as well, making way for Hepburn to allow his new commissioners a free hand.[74]

Reconciliation with the O.M.E.A. and W.W.II, 1937-43

In remaking the H.E.P.C. through a wholesale change of commis-

sioners on November 1, 1937, Hepburn did not make the appointments with the partisanship that he had shown in 1934 and Henry had practised in 1930. Instead, he implemented a variation on the formula begun by Ferguson in 1925 of a non-partisan chairman with government and O.M.E.A. constituency representation. For chairman, he appointed Hogg, the practitioner who as chief engineer hydraulic and operation had ensured the H.E.P.C.'s continued power supply. Thus, the H.E.P.C. had an inside rather than an outside chairman like Mcgrath and Lyon. Hogg had been offered the position at a cabinet meeting on October 26th, where he responded that he needed the latitude to settle the Beauharnois contract. Hepburn rejected this as a condition, offering instead permission to explore the issue.[75] Notably, Hogg also became the sole chief engineer at this time, meaning the division of labour between chief executive officer and chief operating officer(s), which had been rife with conflict for Lyon and Hogg, disappeared. Jeffery, who had been chief engineer of municipal relations and rural power, became Chief Municipal Engineer as well as Acting Secretary and Controller. In 1938 Osborne Mitchell would become Secretary, without anyone officially designated controller thereafter.

To fill the remaining commissioner posts, Hepburn appointed William L. Houck, a minister without portfolio since October 12, 1937, as the statutory cabinet representative. In making the other appointment, he judiciously brought the O.M.E.A. back into the H.E.P.C.'s decision-making. Having repeatedly been called

upon by the O.M.E.A. to renew its representation on the H.E.P.-C., and most insistently at its 1937 summer convention, Hepburn asked the association for a nominee, as Ferguson had done in 1925. Although the nominee was not chosen, the O.M.E.A. later approved of the appointment of J. Albert Smith, the Liberal M.P.P. for Waterloo North. Smith was a vice-president of the association for 1936-37 and also the past-president of the Ontario Association of Mayors.[76] With one cabinet minister and one backbencher on the H.E.P.C., Hepburn had maintained, although somewhat diminished, his capacity to influence a majority of the commissioners.

Although both Lyon and Roebuck were out of the way, their departure had not brought an end to Hepburn's troubles. Hogg informed Hepburn on November 18, 1938 that a settlement with Beauharnois would leave the H.E.P.C. with a new power surplus. Notably, to effect a settlement, Hogg had to offer Gatineau a new long-term contract for it to relinquish its preferred supplier status, and in fairness he granted similar terms to MacLaren. To absorb the surplus, Hogg made arrangements to sell power to private companies in the United States and Hepburn, for his part, asked the federal cabinet for an export permit on November 29th. King, however, refused to "bail him out" according to Armstrong. After Hepburn complained publicly, King chose to deflect responsibility by having the Electricity and Fluid Exportation Act amended to require export permits to proceed by way of a Private Member's Bill. With the Beauharnois and

other Quebec contracts finalized on December 14th, Hepburn formally applied for a permit under the new rules on January 21, 1938, but this application would fail as well.[77]

With Lyon and Roebuck having publicly criticized the new Quebec contracts, Hogg addressed the "abrupt change in policy" at the O.M.E.A. convention in February 1938. Contrary to received wisdom, he informed the delegates that growth in demand was expected to outpace supply in the short-term. Notably, his calculation for the "probable best provision" for increasing supply, the point where the consequences of a shortage outweighed the cost of a surplus, was 7 percent, which was close to the 7.7 figure used in 1929 before signing the original Quebec contracts. In these circumstances, Hogg explained that the H.E.P.C. had only two options. One was steam power, with its requisite disadvantages, and the other was Quebec power. He emphasized that the latter was selected strictly on the basis of demand and cost, but added that it had an important advantage. The resolution of the Quebec contract disputes was a first step in facilitating the interprovincial cooperation that would be necessary to develop the Ottawa river. In closing, Hogg stated that the new contracts were "consistent" with reports he had forwarded and seen rejected by the former commissioners. For this reason, he argued that they "alone must accept full responsibility for the past policies."[78]

In addition to negotiating a new contract with Beauharnois, Hogg had also repaired the H.E.P.C.'s relationship with the

municipalities. This was much in evidence at the 1938 O.M.E.A. convention. Houck, the cabinet representative on the H.E.P.C., made a conciliatory speech, stating that there was "only one hydro scheme" with its provincial and municipal sections differentiated by "purely mechanical matters of jurisdiction and administration." In his view, this meant that cooperation in the performance of their "separate" duties was essential. President Elliott, for the O.M.E.A.'s part, was able to state that his executive had already received a "cordial reception" from the H.E.P.C. commissioners, and added that the appointment of Smith as the third commissioner would "promote harmony." President-elect Gordon S. Matthews also indicated a measure of the H.E.P.C.'s goodwill when he announced that the association, which had never had an office, had received permission to hold its executive meetings in the H.E.P.C.'s boardroom. With this turn-around in relations, the O.M.E.A. pledged its "cooperation" with the new commissioners and expressed its "confidence" in Hogg. Likely as a gesture of good faith, Matthews also gave notice of motion to limit the tenure of the O.M.E.A. president to two one-year terms. The intention was presumably to guard against long-lived personal leadership like that during Maguire's twelve-year presidency, a situation which had irritated the Liberals while in opposition. The resolution would be adopted at the 1939 convention.[79]

As for the fate of Hepburn's application for an export permit, King announced on March 21, 1938 that the Bill had been

rendered moot beca e the Roosevelt administration would not permit the importation of the power. The reason, according to Saywell, was that the power would undermine plans for public power developments in New York and leave international power pooling in private hands. The U.S., however, was willing to accept the power under a comprehensive St. Lawrence treaty. Under these circumstances, Hepburn rejected the offer and accused King of participating in a conspiracy with Roosevelt.[80]

During the 1938 legislative session, Hepburn also faced trouble from another quarter. Conservative leader Leopold Macaulay had charged on March 1st and 24th that Hepburn had sanctioned surreptitious negotiations with Beauharnois prior to the 1937 election and had deliberately deceived the electorate with the "back to Niagara" scheme as a cover. To investigate the charges, a select committee was appointed on March 28th. After hearings that summer, the Committee's April 5, 1939 report was divided on partisan lines. The majority report "exonerated" Hepburn on two grounds. First, Beauharnois officials had testified that secret negotiations had not taken place. Second, Hogg had testified that Lyon knew of the need either to renegotiate the contract or develop steam power, but Lyon stated he had not informed Hepburn of Hogg's reports. The minority report concluded that Hepburn either knew or should have known of the power shortage.[81]

With World War II on the horizon, the renegotiation of the Quebec contracts and the renewal of good relations between the

O.M.E.A. and the H.E.P.C. were now an essential element of industrial mobilization. Supplying power for the war effort was the H.E.P.C.'s new preoccupation, with the need for additional sources a major concern. This need was made evident through two developments in the fall of 1939. First, the Power Control Act was passed in a rare fall session of the Legislature on September 22, 1939. It gave the H.E.P.C. emergency powers to regulate and control all aspects of the electric industry, and especially the allocation of power to end users. Second, the St. Lawrence seaway, with its attendant power developments, received Hepburn's endorsement on October 3, 1939, although his timing was wrong for a treaty with Roosevelt entering an election year. Nevertheless, the U.S. did remove its objections to the H.E.P.C. making use of the extra water from the now completed Hudson's Bay diversions. They received I.J.C. approval in September 1940 without a comprehensive St. Lawrence treaty.[82]

Following Roosevelt's re-election in November 1940, an international agreement on the St. Lawrence was reached in January 1941, and a federal-provincial agreement on March 19th. However, the agreements failed to receive the necessary approvals in both Canada and the United States, according to Armstrong, because of opposition from powerful economic and sectional interests. After hope for their ratification had passed in 1942,[83] Hepburn authorized Hogg to negotiate an agreement with the governments of Quebec and Canada for the development of the Ottawa river. The agreement was finalized

January 2, 1943. Through 999 year leases by one province to another, it allocated the full benefit of the lower river's power sites, including previously contested Carillon Falls, to Quebec and the upper river's sites to Ontario.[84]

The Ottawa river agreement was ratified in the Legislature on February 19th, but not before George Drew, the new Conservative leader, had accused the government of "selling out" Ontario's interests. In particular, Drew accused the government of "bartering away" Ontario's half of the Carillon site for, in his view, sites of dubious value. He also chastised the government for receiving no assurance in return that Carillon would not be developed by private interests for the export market. In addition, he criticized the long-term leases in the contract on the grounds that they were grants, cautioning that no province had the constitutional power to make such transfers and that no future government could be bound by such terms.[85]

Although Hepburn had initiated the intergovernmental negotiations for the development of the Ottawa river, he was no longer premier when the agreement was finalized. He had stepped down unexpectedly on October 21, 1942, personally designating Attorney General Gordon Conant his successor. Under pressure from caucus, Conant agreed to a leadership convention, which Nixon won on April 30, 1943.[86] With an election supposed to have been held by October 1942, but put off for one year by an all party agreement, Nixon called one for August 4, 1943. In the result, the Liberals received only 14 seats to the Conservat-

ives' 38 and the C.C.F.'s 34, and thereupon began the Conservatives' dominance of post-war Ontario politics.

Conclusion

The purpose of this chapter has been to outline how appointments came to "institutionalize" further the H.E.P.C.'s seemingly ambivalent ownership in the era from the death of Adam Beck in 1925 to the watershed provincial election in 1943. This occurred through the formula for appointments developed by Premier Ferguson. Alongside a non-partisan chairman from outside the government and the H.E.P.C., he gave the O.M.E.A. constituency representation on the H.E.P.C. symbolically equal to what the government received by statute. With this beginning to the post-Beck era, the relative importance of appointments for setting the direction of the H.E.P.C. would increase in relation to statutory enactments. In the end, the Ferguson formula, through trial and error over three distinct periods, was elevated to the status of a "semi-convention."

The Ferguson formula was crafted to unite previously disparate views on the H.E.P.C.'s ownership for a federal-provincial jurisdictional dispute over the St. Lawrence and Ottawa rivers. Through a "nationalistic" stance, the H.E.P.C. averted a threat to its status as a "first-generation" crown corporation by buying power from companies wholly within Quebec rather than those licensed by the federal government. In what would turn out to reveal its genius, the formula was subsequently abandoned by

Premier Henry in 1930. He loaded the H.E.P.C. with partisans just as its "facilitative" capacity was undercut by huge surpluses stemming from the Quebec contracts. This proved unwise given the political turbulence and partisan wrangling during the depression, and ultimately contributed to the defeat of the government. After the 1934 election, Premier Hepburn used appointments and statutes to gain partisan control over the H.E.P.C. for a second "nationalistic" policy, that of repudiating the Quebec contracts. With economic recovery leading him to distance his government from the political responsibility this degree of control entailed, he returned to the safety of the Ferguson formula following the 1937 election. Thereafter, the H.E.P.C. abandoned its "nationalistic" stridency to assume a primarily "facilitative" role for war production.

Endnotes: Chapter Four

1. H.V. Nelles, The Politics of Development: Forests, Mines and Hydro-electric Power in Ontario, 1849-1941 (Toronto: Macmillan, 1974), p. 423; and, Merrill Denison, The People's Power: The History of Ontario Hydro (Toronto: McClelland and Stewart, 1960), pp. 168 and 182.

2. O.M.E.A., Annual Meeting, 1931, p. 14; and, O.M.E.A., Summer Convention, 1933, p. 13.

3. Peter Oliver, G. Howard Ferguson: Ontario Tory (Toronto: University of Toronto Press, 1977), p. 179; and, Canadian Who's Who, 1936-7. Under the Boundary Waters Treaty, 1909, the I.J.C. was, according to Merrill Denison, a "sovereign power" that could control, through power of approval, any power development or navigation project. Denison, op. cit., p. 174.

4. F.A. Gaby, Some Interesting Aspects of the Hydro System, (Toronto: H.E.P.C., 1931). Serialized in H.E.P.C., The Bulletin XVIII: 8, 9 and 10 (August, September and October 1931).

5. Then Premier George Ross had sought, according to Christopher Armstrong, a federal-provincial agreement on the position that all water not used for navigation purposes fell in provincial jurisdiction, but nothing had been resolved. Christopher Armstrong, The Politics of Federalism: Ontario's Relations with the Federal Government, 1867-1940 (Toronto: University of Toronto Press, 1981), pp. 72-73 and 161; and, Oliver, op. cit., pp. 176-77.

6. The H.E.P.C. had submitted a formal proposal to the I.J.C. in 1921 to develop the Ontario portion of the St. Lawrence. Although the U.S. was in favour of proceeding, Prime Minister Mackenzie King announced in May 1922 that the federal government would not permit the project to proceed at this time. According to Oliver, King was acting with caution knowing that the (yet to be nationalized) private power interests in Ontario were opposed to the H.E.P.C. controlling the river's power developments and that interests in Quebec were opposed to both the power developments and canalization because these would increase Ontario's comparative advantage. The H.E.P.C.'s development of the St. Lawrence was also constrained by Beck's conflict with the United Farmers of Ontario government. According to Peter Oliver, it was not until the Conservatives were returned in June 1923 that the negotiations resumed. Denison, op. cit., pp. 174-45; Oliver, op. cit., pp. 174-76; and, Armstrong, op. cit., pp. 162-65.

7. Oliver, op. cit., 182.

8. Not only did the lease arrangement challenge provincial ownership of the water, it also infringed on provincial jurisdiction because it included the expropriation of land on the river bank in Ontario. The lease had originally been granted by the Meighen government in 1921 for a canal with the right to build a 120 foot dam. When the Quebec-New England Power Company acquired the lease in 1923 and planned to proceed with the dam, Ferguson complained to King that the federal government did not have the power to authorize the flooding of provincial lands, let alone grant the lease. The Minister of Railways and Canals assured Ferguson at the time that the application would not proceed, only for Ferguson to hear that it had resurfaced, according to Oliver, through McDougald's application for a power export permit from the federal government in April 1925. Ibid., pp. 177-78; Armstrong, op. cit., pp. 166-67; and, T.D. Regehr, The Beauharnois Scandal: A Story in Canadian Entrepreneurship and Politics (Toronto: University of Toronto Press, 1990), p. 44.

9. Although no development had taken place and the charter had been renewed fourteen times, the Siftons planned to secure control of the Ottawa river's entire potential. A third challenge came from the Dominion Power and Transmission Company, an island of private power in Hamilton, Ontario. It drew water from the Welland Canal by federal licence. The company had applied to divert more water, which was a challenge to the amount of water the I.J.C. would make available to the H.E.P.C. Ferguson complained to King on this matter in December 1925, and King responded in February 1926 that the application would not proceed. Oliver, op. cit., p. 180.

10. The Siftons' offer to sell power to the H.E.P.C., however, was met with a challenge to their right to the water-power by Mcgrath, newly installed as the H.E.P.C. chairman. They nevertheless forged ahead, believing they only needed and would receive federal approval. Shawinigan had also negotiated with the H.E.P.C. for the sale of power, but had made its offer more attractive by offering to sell a one-half interest in the project after 40 years. No deal was reached. H.E.P.C., The Bulletin XIV:2 (February 1927); Oliver, op. cit., pp. 184 and 186; and, Armstrong, op. cit., pp. 167-68. The problem underlying the negotiation of contracts with companies inside Quebec was that the high cost of transmission meant that the price for power would have to be less than the price in Quebec. This logic determined the price in the Gatineau contract to be $15.00 per horsepower.

11. Mcgrath had warned the Meighen government's Minister of Railways and Canals, Sir Henry Drayton, not to proceed without Ontario's consent. Drayton then offered Ontario an unqualified half interest in the project and a one-third share of the annual water rental with the Quebec and federal governments receiving

the other two thirds. There was no effort to revive the Holt lease before it expired on May 1, 1927. Armstrong, op. cit., pp. 168-69; Oliver, op. cit., p. 187; and, The Canadian Parliamentary Guide, 1930 (Ottawa: Mortimer, 1930).

12. Ontario, Royal Commission Appointed to Inquire into the Purchase of Bonds of the Ontario Power Service Corporation by the Hydro-Electric Power Commission of Ontario and the Government of Ontario, and the Payment therefore in the Bonds of the Hydro-Electric Power Commission of Ontario, and all circumstances connected therewith (Toronto: October 20, 1934). Reprinted as "Royal Commission re: Abitibi Inquiry: Report of Commissioners" in H.E.P.C., Annual Report, 1934, (hereafter, the Latchford-Smith Report), pp. 450, 452-53 and 457. Nelles, op. cit., pp. 468-69; and, John T. Saywell, 'Just Call Me Mitch': The Life of Mitchell F. Hepburn (Toronto: University of Toronto Press, 1991), p. 98. Prior to July 30, 1930, the O.P.S.C. had been the Hudson's Bay Power Company.

13. Christie's preliminary report of February 1, 1927 contended, first, that the federal government's power of navigation did not give it the power to block power developments simply because canals were not then required and, second, that there was no constitutional justification for charging the cost of canals against power developments. His main report of February 24th analyzed the specific mention of water-power on canals in the third schedule of the Constitution Act, 1867 dealing with federal Public Works and Property. He concluded that it was intended, in Oliver's words, to "strike a balance sheet of the division of assets and debts as they existed in 1867" rather than "to grant or define powers." The misrepresentation of this clause had led, in Christie's view, to a "considerable usurpation" of provincial powers when, in Oliver's words, "technically and financially it was a simple matter to separate power and navigation." Oliver, op. cit., pp. 295-96. Christie, notably, was a former senior official in the department of external affairs who had not enjoyed the government's confidence after King became prime minister in 1921. Robert Bothwell, Loring Christie and the Failure of Bureaucratic Imperialism (New York: Garland Publishing, 1988).

14. Oliver, op. cit., pp. 294-95.

15. A lease for Holt to operate the canal alone was renewed on May 1, 1927. Ibid., p. 295; and, Armstrong, op. cit., p. 170.

16. When Ferguson protested provincial exclusion from the formation of the questions, Ontario's legal counsel was consulted and the federal cabinet appended two additional questions to the seven. Ontario's counsel had feared that the lack of consultation was a deliberate strategy to ensure that the questions would preclude appeal to the J.C.P.C. Once the questions

were made known, Ferguson believed that their vagueness would not bring a definitive resolution to the matters of jurisdiction. Oliver, op. cit., p. 352; and, Armstrong, op. cit., p. 171.

17. It was not surprising that the Committee produced, in Oliver's view, a "viciously anti-Ontario document" because its membership was "riddled with conflicts of interest." King had refused to give Ferguson a copy of the Advisory Committee's report on the pretext that the Committee wanted the recommendations kept private, but the report was made public in April 1928. H. Blair Neatby, William Lyon Mackenzie King, 1924-32: The Lonely Heights (Toronto: University of Toronto Press, 1963), pp. 257-58; Regehr, op. cit., 41-43 and 46-[illegible] and, Oliver, op. cit., pp. 353-54.

18. Regehr, op. cit., 46-47; and, Oliver, op. cit., p. 354.

19. The Supreme Court only heard the case in October 1928. Notably, its decision complained that the questions referred to it were too general and devoid of facts to be amenable to an "intelligible answer." Although this suggested the reference was a wasted effort, Duff succinctly addressed the jurisdictional issues in an explanatory statement. Armstrong, op. cit., pp. 171-72.

20. When pressed, King did agree to hold another federal-provincial conference on these issues, but one could not be arranged until 1930. Ibid., p. 172; Oliver, op. cit., pp. 354-55; and, Regehr, op. cit., p. 65.

21. In his negotiations with the Quebec and federal governments, Sweezy tailored his proposal to suit this hurdle. Oliver, op. cit., p. 355; and, Regehr, op. cit., p. 80.

22. Regehr explains that these were only the first two of four hurdles required to make the project feasible. The third was the truce arranged with Sir Herbert Holt's Montreal Light, Heat and Power Company on July 26, 1929. It was arranged by Lord Beaverbrook, of whom Sweezy was a protege and Holt was a business associate. The fourth was the contract with the H.E.P.C. Regehr, op. cit., pp. 69-77.

23. On October 28th the H.E.P.C. had signed the tentative agreement with Beauharnois. On the strength of this contract, the company was able to arrange its financing, propitiously, one day before the stock market crashed. Ibid., pp. 80-1 and 84-5; and, O.M.E.A., Annual Meeting, 1932 p. 4.

24. Nelles, op. cit., pp. 423 and 424.

25. The reason, in Nelles' words, was that the H.E.P.C. "borrowed rather than spent public money; it was a trustee of the municipalities; and a business enterprise in its own right." Ibid., pp. 423-24. Nelles argues that Beck's "successors inherited [his] state of siege mentality even though the threat [of an attack on the H.E.P.C. for its very existence] had long since vanished." Ibid., p. 425. It is not clear, however, that all such attacks had disappeared, since private power interests had worked to block the H.E.P.C.'s development of the St. Lawrence and were proceeding to develop power sites in northern Ontario.

26. Denison, op. cit., pp. 210-11; and, Latchford-Smith, op. cit., p. 455.

27. Neil McKenty, Mitch Hepburn (Toronto: McClelland and Stewart, 1967), pp. 37 and 41.

28. Denison, op. cit., pp. 193 and 199-200.

29. Saywell, op. cit., p. 73.

30. Gaby, op. cit., pp. 41-42. Notably, the O.M.E.A. sought to improve the public image of the H.E.P.C. by holding public meetings in 1931. Arthur Meighen spoke at many, but the meetings were criticized as "propaganda". O.M.E.A., Annual Meeting, 1932, p. 6.

31. The $125,000 figure allegedly represented $0.50 for every horsepower of the 250,000 horsepower deal. Henry waived the Ontario government's right to object to being investigated by the Committee, paving the way for Aird to testify. Aird admitted that he had received the payment, but presented the Committee with a letter from his bank manager stating that the bonds he received from Sweezy were still in his possession. With this disclosure, the Committee could establish no definitive connection between him and the Ontario Conservative party. Aird's credibility, however, was not enhanced when he volunteered in his defense that he had also received $50,000 for assisting with the H.E.P.C.'s purchase of property on the Mississippi and Madawaska rivers in 1929. Regehr, op. cit., pp. 82 and 137-38; and, McKenty, op. cit., p. 43.

32. Maguire also claimed he had not seen "any evidence of interference" by government in the H.E.P.C.'s policy or administration. McKenty, op. cit., pp. 42-43; Denison, op. cit., pp. 200-201; and, O.M.E.A., Annual Meeting, 1932, pp. 9-11.

33. The Royal Commission, begun but not completed under Justice W.E. Middleton, was mandated only to inquire into (1) the purchase of land on the Mississippi and Madawaska rivers by the H.E.P.C. (which involved a $50,000 payment to Aird) and (2) the purchase of the Dominion Power and Transmission Company in

1930. Canadian Annual Review, 1932, p. 151; McKenty, op. cit., p. 44; and, Denison, op. cit., pp. 201-202.

34. Roger Graham, Arthur Meighen, Volume III: No Surrender (Toronto: Clarke, Irwin, 1965), pp. 30 and 34; and, Regehr, op. cit., pp. 152-53.

35. The accusation concerning the payment was not made to the House of Commons committee in 1931 because Senator Haydon had been too ill to testify at that time. Ferguson, who had been appointed Canadian High Commissioner in London, returned to Canada immediately and denied the accusation before the Senate Committee on April 6th. His testimony was corroborated by Sweezy, although Sweezy's veracity was dubious given that he was negotiating with Bennett at this time to maintain control over Beauharnois. In the end, the Senate Committee could only agree to reject Haydon's contention as unfounded and ask that Senator McDougald resign, a request with which he complied on November 19, 1931. Senator Raymond was not censured because his involvement in the scandal as a political fund raiser for the Liberal party in Quebec was regarded as outside the jurisdiction of the Senate. Denison, op. cit., pp. 200-201; Regehr, op. cit., pp. 152-61 and 146; and, Oliver, op. cit., pp. 398-9. Haydon, it should be noted, had personally received $50,000 from Sweezy for ensuring that Beauharnois received the King cabinet's approval for the project on March 8, 1929. Regehr, op. cit., pp. 44-45.

36. On April 16, 1932, Justice Middleton resigned his royal commission because of ill health, but not before recommending that the inquiry be extended to include the Beauharnois payment to Aird. Justice J.F. Orde took over the expanded mandate and concluded his investigation on June 17th, but died before completing his report. The royal commission was then taken over by Justices W.R. Riddell and G.H. Sedgewick on August 19th. Their report of October 31st found (1) no impropriety in the H.E.P.C.'s $50,000 payment to Aird, (2) no relation between Beauharnois' payment to Aird and the H.E.P.C.'s purchase of power, and (3) that the purchase of the Dominion Power and Transmission Company was warranted and the price was appropriate. Canadian Annual Review, 1932, pp. 151-54; Nelles, op. cit., pp. 471-72; Denison, op. cit., pp. 201-202; Ontario, Royal Commission Appointed to Inquire into Certain Matters Concerning the Hydro Electric Power Commission of Ontario (October 31, 1932); Latchford-Smith Report, op. cit., pp. 457-60; and, Saywell, op. cit., pp. 116 and 98.

37. F.A. Gaby, Trends of Electrical Demands in Relation to Power Supplies (Toronto: H.E.P.C., 1933).

38. The company had been bought through a debt for equity transaction, with the O.P.S.C.'s $20 million in bond debt exchanged for $18 million in H.E.P.C. debentures. Ontario,

Journals of the Legislative Assembly of the Province of Ontario, 1933, pp. 140-42; Latchford-Smith Report, op. cit., pp. 466-67 and 469-71; Nelles, op. cit., pp. 472 and 470; Denison, op. cit., pp. 195-96, 203 and 206; McKenty, op. cit., p. 45; Saywell, op. cit., p. 117; and, S.O. 1933 c. 1, The Abitibi Canyon Power Development Act, 1933.

39. McKenty, op. cit., p. 45; Canada, Senate Debates, 1932-33, pp. 402-405; Nelles, op. cit., p. 470; S.O. 1933 c. 1, The Abitibi Canyon Power Development Act, 1933; and, Graham, op. cit., pp. 50-51 and 53.

40. Saywell, op. cit., p. 128; Arthur Roebuck, The Wreck of the Hydro (Toronto: Ontario Liberal Association, August 19, 1933; H.E.P.C., Misleading Assertions that have been made relating to the Power Situation in the Province of Ontario Examined and Corrected (Toronto: H.E.P.C., n.d. [August 22, 1933]), p. 9; "Hepburn Charges Hydro Assists Power Barons," The Globe, August 24, 1933 pp. 1-2; H.E.P.C., Misleading Assertions that have been made relating to the Power Situation in the Province of Ontario Have Not Been Withdrawn (Toronto: H.E.P.C., August 31, 1933), pp. 5-6; and, Nelles, op. cit., p. 476.

41. J.R. Cooke, Hydro Service Considered in Some of its Important Economic Aspects (Liberal-Conservative Summer School, September 1933); and, Nelles, op. cit., p. 476.

42. O.M.E.A., Annual Report, 1934, p. 4; and, H.E.P.C., The Bulletin XXI:3 (March 1934), pp. 83-87.

43. Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1935, p. 162; and, Graham, op. cit., pp. 53-54.

44. H.E.P.C., Paid for Propaganda: Who Instigates Attacks on Hydro? (Toronto: H.E.P.C., June 7, 1934), p. 15. The H.E.P.C. had published the pamphlet after surreptitiously hiring private investigators to report on the connections of "key" Liberals to the anti-public ownership lobby in the U.S. It was published, according to both Nelles and Saywell, even though no damaging information was uncovered. Nelles, op. cit., p. 477; and, Saywell, op. cit., pp. 147-48.

45. Alexander Brady, "The Ontario Hydro-Electric Power Commission," Canadian Journal of Economics and Political Science 2:3 (1936), p. 339.

46. In Brady's view, the discussion that did take place between the H.E.P.C. and O.M.E.A. was "dictated" by partisan motives. Ibid., p. 352; O.M.E.A., Summer Convention, 1934; and, The Globe, July 7, 1934.

47. Saywell, op. cit., pp. 198-199. Hepburn, with King's permission, had originally approached W.D. Euler, a former (and future) federal cabinet minister and President of the Kitchener-Waterloo Record, but he declined. McKenty, op. cit., p. 63. Lyon had given his paper's editorial support to the H.E.P.C. throughout the Beck era, but had also supported the Liberals' continued attack on the Henry government and the H.E.P.C.'s management. Denison, op. cit., p. 207; and Nelles, op. cit., p. 478. Roebuck had made himself informed on the H.E.P.C. affairs prior to the election, as evident in his 1933 speech published as The Wreck of the Hydro, op. cit. McQuesten was also made Chairman of the Niagara Parks Commission, which controlled development on the Canadian side of the river.

48. At the first meeting of the new commissioners, the Globe reports that only Gaby and Lucas were fired, although both Denison and Nelles write that White was also fired. The Globe July 12 and 13, 1934; Denison, op. cit., pp. 205 and 207; Nelles, op. cit., p. 478; and Saywell, op. cit., p. 171. During the 1933 legislative session, the Liberal opposition had called upon Cooke to reveal the salaries of the H.E.P.C.'s senior officials, and state whether their salaries had been reduced during the depression. Cooke refused to table the figures on the grounds that the salaries were not a charge on the consolidated revenue fund and that the O.M.E.A. executive was the only body with authority to scrutinize the salaries. The figures were then released to the O.M.E.A., which decided to make them public on May 12, 1933. Denison, op. cit., pp. 203-204.

49. The Globe, July 14, 1934; Saywell, op. cit., pp. 118-19; McKenty, op. cit., p. 62; Latchford-Smith Report, op. cit., pp. 463-64, 466 and 471; Canadian Annual Review, 1934, pp. 188-89; and, Nelles, op. cit., p. 478.

50. Latchford-Smith Report, op. cit., pp. 469-74; The Globe, July 17, 1934; Graham, op. cit., pp. 54-57; Canadian Annual Review, 1934, pp. 188-89; and, Nelles, op. cit., p. 478. Meighen's biographer, Roger Graham, gives a sympathetic account of Meighen's position, but does so without having seen the royal commission report. As a result, he mistakenly suggests that the bonds were exchanged at 60 percent of the face value rather than 90 percent. Graham, op. cit., p. 50. The Latchford-Smith report was Session Paper #49, 1935, but was not among those printed.

51. Canadian Annual Review 1934, pp. 183-84; H.E.P.C., The Bulletin XXI:9 (September 1934), p. 293; and, Nelles, op. cit., pp. 478 and 479.

52. The connection to Alexander Mackenzie is culled from the biography of McCrimmon in Canadian Who's Who, 1936-37 and the biography of Kenneth McCrimmon, who was the legal secretary of Brazilian Traction, in Duncan McDowall, The Light: Brazilian

Traction, Light and Power, 1899-1945 (Toronto: University of Toronto Press, 1988), pp. 279 and 333-34. Of note, Keith Fleming confuses the position of "controller" with the statutory position of "comptroller" created in 1916 but never appointed, failing to note that the provision was removed from the Power Commission Act in 1927. See, Keith R. Fleming, Power at Cost: Ontario Hydro and Rural Electrification, 1911-1958 (Montreal and Kingston: McGill-Queen's University Press, 1992), p. 167.

53. H.E.P.C., Annual Report, 1935, p. xi; O.M.E.A., Annual Meeting, 1935, p. 32; and, S.O. 1935 c. 54 s. 3.

54. O.M.E.A., Annual Meeting, 1935, pp. 27-29.

55. Ibid., p. 20; and, Graham, op. cit., p. 58.

56. After forming the government, Hepburn approached Prime Minister Bennett about the scheme, only to discover that the Americans would not participate in negotiations on Niagara exclusive of the St. Lawrence. Hepburn thereupon closed the diplomatic door on "back to Niagara" when he responded in October 1934 that Ontario would not cooperate on the St. Lawrence because the seaway's attendant power developments would be too expensive for Ontario to undertake during the depression. Nelles, op. cit., p. 478; and, Armstrong, op. cit., pp. 179-80. In July 1932 the Bennett government had agreed to a treaty with the United States on the St. Lawrence at the insistence of the Henry government, but the treaty had not been ratified in the U.S. Senate. In 1934 the Roosevelt administration agreed to resubmit the treaty for ratification, but Hepburn's refusal to participate meant the three year ratification period was left to expire in July 1935. Armstrong, op. cit., pp. 179-80.

57. McKenty, op. cit., p. 65; Denison, op. cit., p. 211; Saywell, op. cit., pp. 198-200; and, Arthur Roebuck, "Crisis in the Affairs of Hydro," four address to the Legislature March 26-29, 1935, reprinted in H.E.P.C., The Bulletin XXII:5 (May 1935), p. 164. The municipal consent justification was fallacious because the Power Commission Act only required municipal referenda to be held for a municipality to receive power from the H.E.P.C. The Act left decisions on the source of supply to the discretion of the H.E.P.C., with no statutory role for the municipalities. There was, however, one example of a non-statutory role. The Hearst government had insisted on a popular sanction for the Queenston-Chippewa power development from the hydro municipalities in 1916 before it would pass the enabling legislation. See Chapter Three.

58. Saywell, op. cit., pp. 199-201; and McKenty, op. cit., p. 66.

59. Saywell, op. cit., pp. 201-202; McKenty, op. cit., pp. 65-6; and, Armstrong, op. cit., p. 180.

60. Arthur Roebuck, "Crisis in the Affairs of Hydro," reprinted in H.E.P.C., The Bulletin XXII:5 (May 1935). The O.M.E.A. requested that Gaby explain the H.E.P.C. actions in light of Roebuck's criticisms, which he did in a dispassionate address on C.R.C.T. radio on April 6, 1935. F.A. Gaby, The Power Situation in Ontario (Toronto: Power Securities Protective Association, 1935).

61. Notably, the repudiation Bill entered the fray of the 1935 federal election when Bennett questioned whether King would enforce the contracts, but King adroitly responded that the Bill had not been proclaimed. Nelles, op. cit., pp. 478-80; Canadian Annual Review, 1935-6, p. 217; McKenty, op. cit., 67; Denison, op. cit., pp. 211 and 213; Saywell, op. cit., p. 205; Armstrong, op. cit., p. 181; and, S.O. 1935 c. 53, An Act to declare the law with respect to The Hydro-Electric Power Commission of Ontario and with respect to certain invalid Contracts.

62. Indeed, Roebuck, in the margin of his otherwise unmarked copy of the report, wrote "NO" beside McCrimmon's recommendation regarding the commissioners. A. Murray McCrimmon, Report to the Chairman [of the H.E.P.C. by the Assistant Secretary and Controller] Private and Confidential (August 1, 1935), (Archives of Ontario, M.U. 2496, Roebuck papers, general, May-August 1935). McCrimmon felt the H.E.P.C.'s basic problem was that it had not needed to be "commercially efficient to be successful." As a result, it had developed no "salesmanship" and "no evidence of planning" even though its engineering was "first class." Ibid. See also, Fleming, op. cit., pp. 167-8.

63. Saywell, op. cit., pp. 240-41.

64. Ibid., pp. 241-42 and 246-47; Arthur Roebuck, "Exhaustive Summary of Hydro Affairs," an address to the Legislature March 3 and 4, 1936, reprinted in: H.E.P.C., The Bulletin XXIII:3 (March 1936); H.E.P.C., Annual Report, 1935, p. ix; Canadian Annual Review, 1935-36, pp. 196-98; and, Denison, op. cit., pp. 212-14.

65. Ontario, "Select Committee to Investigate Power Contracts with Quebec Power Companies and Other Hydro Matters," Appendix 1 of Journals of the Legislative Assembly of the Province of Ontario, 1939 (hereafter "Select Committee"), pp. 8-11 and 17; Saywell, op. cit., p. 247; and, S.O. 1936 c. 49, The Power Contracts Validation Act, 1936.

66. The chronology of the legal challenges was as follows: Beauharnois appealed for federal disallowance of the repudiation Bill, but was refused on March 30, 1936 on the grounds that it was a matter for the courts; Ottawa Valley filed a statement of claim in court, but Ontario's power to bar court challenges without the consent of the Attorney General was upheld on June 3rd; the Ontario Court of Appeal agreed to rehear the case on September 21st; Beauharnois then began its legal action, but the judgement was reserved on October 10th pending the outcome of the Ottawa Valley appeal; Ottawa Valley won its case on November 19th; Beauharnois then won its case in the Supreme Court of Ontario on January 13, 1937; the government responded by appealing the Ottawa Valley decision to the J.C.P.C. and the Beauharnois decision to the Ontario Court of Appeal. Canadian Annual Review, 1935-36, pp. 199-200; Canadian Annual Review, 1937-38, pp. 152-53; Armstrong, op. cit., pp. 181-83; Denison, op. cit., 214; Saywell, op. cit., pp. 275 and 279; and, McKenty, op. cit., p. 87.

67. McKenty, op. cit., pp. 90-92; Saywell, op. cit., p. 283; S.O. 1937 c. 58, The Power Commission Declaratory Act, 1937; S.O. 1937 c. 59, The Power Commission Amendment Act, 1937; and, S.O. 1937 c. 62, The Privy Council Appeals Amendment Act, 1937.

68. Saywell reports that the H.E.P.C. had asked the federal government to seek approval for the diversion as early as 1934. Armstrong, for his part, writes that Lyon had convinced Hepburn that the diversion was both "good economics and good politics" in the spring of 1936. Saywell, op. cit., pp. 284-287; Armstrong, op. cit., pp. 182-83; and, Canadian Annual Review, 1937-38, p. 152.

69. "Select Committee," op. cit., pp. 12-13; Saywell, op. cit., pp. 289-90; Nelles, op. cit., pp. 480-81; Armstrong, op. cit., p. 183; and, McKenty, op. cit., pp. 90-92.

70. The agreement was officially dated February 4th, but both McKenty and Saywell document that it was not finalized until February 12th. "Select Committee," op. cit., pp. 12-13; Saywell, op. cit., pp. 290-91; McKenty, op. cit., pp. 93-94; and, S.O. 1937 c. 58; S.O. 1937 c. 59; and, S.O. 1937 c. 61, The Power Contracts Validation Act, 1937. As part of the negotiated settlement, the H.E.P.C. dropped its pending J.C.P.C. appeal of the favourable decision Ottawa Valley received November 19, 1936 and Ottawa Valley dropped its case for damages, initiated in January 1937. Canadian Annual Review, 1937-38, p. 153. As a signal of the O.M.E.A.'s desire to improve its poor relations with the Hepburn government, Elliott stated that "only by our interest in Hydro matters can we justify our existence." O.M.E.A., Annual Meeting, 1937, p. 4.

71. Hepburn also did not want to be seen favouring the development of the St. Lawrence after he had blocked its development in 1934. Armstrong, op. cit., pp. 183-84; and, Saywell, op. cit., p. 335.

72. Roebuck made his claim regarding the Beauharnois contract in June 1938 to a select committee of the Legislature investigating the renegotiation of the Beauharnois contract. Saywell, op. cit., pp. 302, 314, 317 and 336; McKenty, op. cit., pp. 110-11; "Select Committee," op. cit., p. 15; and, Canadian Annual Review, 1937-38, p. 154.

73. Beauharnois launched a counter appeal to the J.C.P.C. on July 12, 1937. Canadian Annual Review, 1937-38, p. 137; Nelles, op. cit., p. 481; Regehr, op. cit., p. 181; McKenty, op. cit., pp. 145-46; Armstrong, op. cit., p. 184; Saywell, op. cit., p. 337; and "Select Committee," op. cit., p. 27.

74. Nelles, op. cit., p. 481; Armstrong, op. cit., p. 185; McKenty, op. cit., p. 145; John H. Dales, Hydro-electricity and Industrialization: Quebec 1898-1940 (Cambridge, Mass.: Harvard University Press, 1957), pp. 151-52; and, Denison, op. cit., p. 215.

75. "Select Committee," op. cit., pp. 16-17.

76. O.M.E.A., Annual Meeting, 1938, pp. 13, 3 and 5; and, H.E.P.C., The Bulletin XXV:10 (October 1937), pp. 301-305. Saywell mistakenly writes that Arthur St. Clair Gordon, M.P.P., was made the third commissioner. Saywell, op. cit., p. 361.

77. Saywell, op. cit., pp. 364-69; McKenty, op. cit., pp. 147-8; Armstrong, op. cit., pp. 185-88; Nelles, op. cit., pp. 482-84; "Select Committee," op. cit., pp. 17-18; and, S.O. 1938 c. 27, The Power Contracts Validation Act, 1938.

78. Hogg's address was delivered by Smith because of an illness. T.H. Hogg, "Power Resources and Requirements in relation to the Quebec Power Contracts Settlement," an address to the O.M.E.A. February 8, 1937, reprinted in H.E.P.C., The Bulletin XXV:2 (February 1938), pp. 52, 57 and 61.

79. O.M.E.A., Annual Meeting, 1938, pp. 3, 5, 15 and 24; W.L. Houck, "The Municipalities and the Hydro Scheme," an address to the O.M.E.A. February 8, 1938, reprinted in, H.E.-P.C., The Bulletin XXV:2 (February 1938), pp. 37-40; and, O.M.E.A., Annual Meeting, 1939, pp. 4 and 26.

80. Saywell, op. cit., pp. 370-72 and 392-93; McKenty, op. cit., p. 148; and, Armstrong, op. cit., p. 188.

81. "Select Committee," op. cit., pp. 4, 17, 33-34, 37 and 40. Canadian Annual Review, 1937-38, pp. 154-55; and, Saywell, op. cit., p. 372.

82. In a speech to the O.M.E.A.'s 1939 summer convention, Hogg emphasized the "mutual interdependence" of the H.E.P.C. and the municipal hydros, likely recognizing its importance for the H.E.P.C.'s war preparedness. T.H. Hogg, "Mutual Interdependence," an address to the O.M.E.A. July 4, 1939, reprinted in, H.E.P.C., The Bulletin XXVI:7 (July 1939); S.O. 1939 c. 8 (Second Session), The Power Control Act, 1939; Saywell, op. cit., p. 435; and, Armstrong, op. cit., pp. 191-94.

83. Neither the seaway nor the power development projects would begin until the 1950s. Armstrong, op. cit., pp. 194-96; and, Saywell, op. cit., pp. 483-84.

84. H.E.P.C., Annual Report, 1941, pp. viii-ix; H.E.P.C., Annual Report, 1942, p. xi; S.O. 1943 c. 21, The Ottawa River Water Powers Act, 1943; Saywell, op. cit., pp. 435 and 483-84; and, Armstrong, op. cit., p. 194.

85. Toronto Daily Star, February 19, 1943; and, Saywell, op. cit., p. 502.

86. Hepburn had offered the premiership to Nixon, who refused to accept without a convention, and to Farquhar Oliver, who refused without a vote of caucus. Hepburn had also resigned as provincial treasurer, but Conant did not accept until March 3, 1943. McKenty, op. cit., p. 250 and 259-67; and, Saywell, op. cit., pp. 491-96 and 504-506.

CHAPTER FIVE

INFUSING THE H.E.P.C. WITH POLICY SENSITIVITY: ONE-PARTY DOMINANCE, 1943-1963

Introduction

This chapter will examine the relationship between the H.E.P.C. and the Ontario government from the watershed provincial election in 1943 to the departure of the last minister to sit as a commissioner in 1963. The broad theme of this era was a tug of war between the government and the O.M.E.A. over the H.E.P.C.'s "institutionalized ambivalence" as both government corporation and trustee of a municipal cooperative. It arose as a result of the H.E.P.C.'s emergence as a full-blown "facilitative" crown corporation in a booming post-war economy. In this economic environment, the "semi-convention" of the Ferguson formula for appointments -- a non-partisan chairman alongside government and O.M.E.A. constituency representatives -- hindered the government's efforts to infuse the H.E.P.C. with policy sensitivity for its economic objectives. Given a political environment of one party dominance, the government resorted to statutes, its other instrument for setting the direction of the H.E.P.C., as a tool in its struggle with the O.M.E.A. The O.M.E.A., for its part, resisted the government's ambitions through resolutions at its broadly representative conventions.

Although the power to appoint had come to be used extensively by the government to manage the H.E.P.C.'s affairs, in the face of the pressures of post-war economic growth the Ferguson formula now constrained the utility of this power. The

reason was that the three major projects that this growth occasioned -- frequency standardization, redevelopment of Niagara and development of the St. Lawrence -- and the development of the Ottawa river already under way had an unprecedented economic impact. Their combined effect was to place the H.E.P.C. beyond the scope of the municipal cooperative myth, despite the O.M.E.A.'s continued to contention to the contrary. Thus, the government not only made extensive recourse to statutory enactments to authorize H.E.P.C. industrial leadership; it used them as well in an effort to weaken the O.M.E.A.'s influence in the H.E.P.C.'s affairs.

In the tug of war, the government attempted, first, to weaken the Ferguson formula by creating an advisory council for the H.E.P.C., but this effort failed because of O.M.E.A. resistance. Then, the government increased the number of H.E.P.C. commissioners, but at the price of conceding increased and disproportionate constituency representation to the O.M.E.A. Subsequently, the government, circumventing the O.M.E.A., created an energy portfolio, but it was not made responsible for the H.E.P.C. because of O.M.E.A. objections. With only limited success in opening the H.E.P.C. to outside input, the government, in exasperation, increased its own presence on the H.E.P.C. and bolstered it by appointing a top civil servant. The government then removed the statutory requirement for ministerial representation, otherwise leaving the H.E.P.C.'s decision-making structure unreformed and its struggle with the O.M.E.A.

a draw when the last minister resigned in 1963.

The Drew Government and the H.E.P.C., 1943-46

Having been ousted by the Liberals under Mitchell F. Hepburn in 1934, the Conservatives returned to power in the August 4, 1943 election with a minority government under George Drew. In the electoral campaign, they had capitalized on the political turbulence of the Hepburn years. Indeed, they had made the "removal of the H.E.P.C. from the political arena" one of the '22 points' of their platform for post-war reconstruction. This campaign promise was kept, in part, when Drew reviewed the appointments to the H.E.P.C. made by the Liberals. On August 24th, he removed cabinet representative W.L. Houck and O.M.E.A. representative and Liberal backbencher J. Albert Smith, both of whom had been defeated in the election. However, he did not remove T.H. Hogg, who had been appointed chairman by Hepburn in 1937 while continuing as chief engineer. This was significant. The previous February, Drew had accused Hogg of "selling Ontario down the river" in the agreement he had negotiated with Quebec and the federal government for developing the Ottawa river.[1]

With only a minority government and the H.E.P.C. vital to the Second World War effort, Drew was likely not in a position to remove Hogg. He nonetheless had two other appointments through which to exercise influence over the respected chairman. In late August 1943, George H. Challies, who like Drew had publicly criticized Hogg over the Ottawa river agreement,[2] was

appointed one of the commissioners. Being a minister without portfolio, he filled the statutory requirement for one to two cabinet ministers. A third commissioner was not immediately appointed. By not selecting an O.M.E.A. representative, Drew was attempting to break away from the Ferguson formula for appointments. With the formula having reached the status of a "semi-convention" after Premier Hepburn returned to it in 1937, Drew would not succeed.

The exclusion of the O.M.E.A. in Drew's 1943 appointments to the H.E.P.C. became an issue at the association's February 1944 convention. A report and resolution from an ad hoc Committee on Municipal Representation called on Drew either to give the O.M.E.A. representation or to give it a role in "shaping" H.E.P.C. policy. Drew, in an unprecedented speech to the convention, chose the latter course. He announced that an advisory council, on which the municipalities would be "well and adequately" represented, would be created to assist the H.E.P.C. commissioners plan for the post-war future. In a thank-you address, the announcement was heralded as "one of the great forward steps" in promoting cooperation between the H.E.P.C. and the O.M.E.A. Later, W. Ross Strike, chairman of the O.M.E.A.'s resolutions committee and its president-elect, moved that Drew's announcement met with the spirit of the representation resolution, and this resolution was carried.[3]

As promised, the Power Commission Act was amended on March 14, 1944 to create the Ontario Hydro-Electric Advisory Council

as a body of five members appointed for two-year terms by order-in-council. Although its creation did not alter the powers of the H.E.P.C. commissioners, the council was mandated to make reports for the "consideration and assistance" of the commissioners on subjects it chose or was assigned. However, having formulated this limited mandate, Drew did not make appointments to the council.[4]

The mystery of Drew's non-appointments to the advisory council was answered in part when Strike, now O.M.E.A. president, was appointed the third H.E.P.C. commissioner on June 16, 1944. Strike's son Alan recollects that his father had been calling for O.M.E.A. representation and had likely lobbied Provincial Treasurer Leslie M. Frost and possibly Drew directly, although not on his own behalf. Notably, Strike not only had strong credentials to be the O.M.E.A representative, he had important connections with the new Conservative government. He had been a personal friend of Frost's since their days in a special Osgoode Hall law school class for war veterans in 1921 and he had been a Conservative candidate in the 1941 federal election.[5]

With the appointment of Strike, Drew had bent to the convention of the Ferguson formula, save for the variation that the chairman came from inside rather than outside the H.E.P.C. And with the government returned with a majority on June 4, 1945, the status of the formula as a "semi-convention" was secure. Regarding his own role in this arrangement, Strike

stated in his farewell presidential address to the O.M.E.A. on March 5, 1946:

> I was instructed by the Premier of this province that I was to consider myself as the representative of the municipalities on the Provincial Commission with no strings attached as far as the Government was concerned. I immediately dropped all my political affiliations so that as far as possible the municipalities would be independently represented. This position has also been recognized by the Provincial Commission and I am treated as the direct representative of the Municipalities in all matters that may affect them.[6]

Strike nevertheless recognized that his dual responsibility as O.M.E.A. president and H.E.P.C. commissioner, which had not existed since C.A. Maguire had held both positions from 1925 to 1934, presented him with conflicting loyalties. He stated to the delegates that for the O.M.E.A. to be "completely free and unfettered" and without an appearance of being "dominated", its president should not, in future, be an H.E.P.C. commissioner.[7]

The Power Shortage Controversy, 1946-47

In his speech to the March 1946 O.M.E.A. convention, Hogg outlined the H.E.P.C.'s two post-war challenges, the most pressing of which was the need to expand the power supply. In an admission of miscalculation, he stated that there had been a "continuous increase in demand" while the H.E.P.C. "had hoped for a recession load." The other challenge was the need to proceed with the standardization of electrical frequency in Ontario at 60 cycles, now the new North American norm, by converting the 25 cycle portions of the province.[8] Although the government

supported both these initiatives, a discernable indication of displeasure with Hogg appeared at this time. Following the convention, the Power Commission Act was amended on March 27, 1946 to provide for one of the commissioners to be a vice-chairman with all the powers of the chairman if there was an absence, illness or vacancy.[9] Within a year Hogg would be fired over the power shortage.

Hogg's ouster resulted from his irresponsibility in the handling of the power shortage during the winter peak demand of 1946-47. For Drew, it was the last straw in Hogg's repeated failure to "communicate essential information" to the government sufficiently in advance of when the government would be required to take executive or legislative action. The incident began on December 3, 1946 when the H.E.P.C. gave public notice of the need for voluntary conservation of electricity to stave off a shortage when the winter peak arrived. The intimation was that conservation was preferable to emergency rationing under the war-time Power Control Act of 1939. When the voluntary measures failed, the H.E.P.C. informed the government on December 19th that the emergency powers were necessary. Knowing no more than the public, a perturbed Drew later stated that he had not been forewarned of such a serious problem, although he did not explain why Challies, the cabinet representative on the H.E.P.C., had not provided the information as the official liaison. Drew was also upset that the notification from the H.E.P.C. was not accompanied with "specific recommendations," leaving only the

"impression" that they would be forthcoming. Such specifics were, he added, an "essential" requirement under the Act.[10]

With press reports warning of imminent emergency rationing, Drew wrote to Hogg on January 3, 1947 asking for advance knowledge of the H.E.P.C.'s forthcoming recommendations. He also wished to be informed of whether any power could be obtained from Quebec or American sources. Presumably unbeknownst to Drew, Hogg had left for four weeks vacation in Nassau, Bahamas, on December 21, 1946. His vacation then not only coincided with the winter peak, he had left two days after the announcement of the emergency on December 19th. To make matters worse, Hogg was known to be travelling with a number of prominent Liberals, including Minister of Reconstruction C.D. Howe and Senator Norman Lambert, a key party strategist, while Drew was engaged in a ongoing conflict with the federal Liberal government over federal-provincial finance. In Hogg's absence, Challies and Strike, the other two commissioners, received Drew's letter. To their surprise, they discovered that directors of a subsidiary of Niagara-Hudson, an American company, had offered 100,000 horsepower to the H.E.P.C. directly through Hogg on December 18, 1946, which was one day before Hogg announced the emergency and two days before he left on vacation. Without Hogg, Challies and Strike made immediate arrangements to purchase the power and rescind the request for emergency powers.[11]

On Hogg's return to Toronto, Drew privately requested his resignation on Tuesday January 21, 1947. The terms were "ex-

tremely favourable" according to Drew, and given that Hogg was 63 years-old the departure would appear publicly as an early retirement. However, while the arrangements were being finalized, the press got wind of the story and Hogg did not deny its authenticity. On Friday January 24th, the Evening Telegram and the Globe and Mail devoted a few column inches, respectively, to Hogg's comments that the matter was "entirely in the hands of the Prime Minister" and that "any announcement ... would have to come from the government." For its part, the Toronto Daily Star, in a banner front page headline, attributed Hogg's looming dismissal to two policy disputes with the Premier, both of which Drew later called "malicious fabrications." The first was Drew's presumed objections to the 1943 Ottawa river agreement Hogg had negotiated with the Quebec and federal governments. Later developments would give credence to this claim. The second was frequency standardization, a scheme which Drew was said to favour and Hogg was incorrectly said to oppose. The Star added in another front page headline story on Saturday January 25th that the power shortage would not have resulted if Drew had not interfered with Hogg's plans for development of the river. Worse still, the firing of Hogg was said to presage "political control" by Drew or the creation of a department of government, both historically a call to arms for the O.M.E.A.[12]

With a major political controversy brewing over the disclosure of his intent, Drew took action to diffuse it on the evening of Monday January 27, 1947 through a province-wide ad-

dress on C.B.C. radio. Notably, he began by explaining that although the close relations of the provincial and municipal hydro systems left the "impression" that they were one system (cooperatively owned by the municipalities), the province and each municipality were separately responsible for the "efficient" management of their respective systems. Moreover, he stated that with "the whole social and economic life" of the province dependent on the H.E.P.C., the government had "no higher responsibility" than to ensure that the H.E.P.C. provided sufficient power resources for continued industrial development. And, to illustrate that the poor communication displayed in the power shortage was not an isolated event, Drew related the embarrassment the government had felt in the fall of 1946 when Ottawa City Council debated the H.E.P.C.'s proposal to purchase the City's private power company after Drew had been assured by Hogg that the negotiations had not proceeded beyond the discussion stage. As a result of Hogg's actions, Drew stated he had "no choice" but to remove Hogg in the "public interest." And, to dispel concern over the Star's warning of political control, Drew announced that he intended to "strengthen and enlarge" the H.E.P.C. in the 1947 legislative session, a statement likely added to appease the O.M.E.A. by holding out the prospect of increased representation.[13]

In the days following Drew's dismissal of Hogg, newspaper editorials took up the subject, taking sides on the old question of whether the H.E.P.C. was a government corporation or the

trustee of a municipal cooperative. The Telegram, defending Drew staunchly, argued that the government was "directly responsible" to the people of Ontario as the "owners" of the H.E.P.C. It stated that the government had a "right" and a "duty" to remove commissioners when necessary and more generally to "guard against power shortages in the future." Its only criticism was that Drew waited too long to make his radio broadcast, allowing the "rag-tag and bobtail" of his opponents time to "sing their chorus of hate." In a more moderate defense of Drew, the Globe described his actions as "clearly justified" given that the "lack of cooperation" between the government and the H.E.P.C. "could not be allowed to continue." Highlighting this administrative problem, it continued that the government, where "mutual action" was required, should not be a "rubber stamp" where "sincere and ready cooperation should be the rule."[14]

Taking an opposing view, the Star, in a series of three editorials, criticized Drew on the grounds that the H.E.P.C. commissioners, despite the fact that they were appointed by the government, "act as trustees for the Hydro municipalities which own the system." Without ever mentioning the power shortage, it dissected Drew's example of the negotiations for the Ottawa company and lauded the engineering accomplishments of Hogg. On the former, it contended that hydro was "entrusted" to autonomous commissions to preclude "political interference," stating that the provincial and municipal commissions would be "paralysed" if they had to consult the government on every important

decision. In addition, it wondered why Challies, the minister without portfolio on the H.E.P.C., had not kept Drew informed. On Hogg's accomplishments, the Star considered him to be held in "universal esteem" and argued that he "[did] not need to be told by politicians what [was] good for the Hydro public and the Hydro municipalities." And to stir the pot, it argued that Hogg's dismissal for not "dancing" to Drew's tune should not go without protest.[15]

Following the barrage of editorials, Hogg's letter of resignation and Drew's letter of its acceptance were released publicly on February 3, 1947. In his letter of January 28th, Hogg had acknowledged the government's prerogative, stating that he could "respect and understand" the government's desire for a "change in the direction" of the H.E.P.C. In his own defense, he added that he had always worked for what he thought to be its best interest, and considered his removal a "relief" because his "general health" was not what he desired. In reply on January 31st, Drew wished Hogg well and stated that his explanation made it "much easier to understand some of our problems." Drew continued, with mild regret, that the "utterly unprincipled conduct" of the Star in speculating on the reasons for the dismissal had left him no choice but to go public with the problems between them.[16]

Despite Drew's protest, the Star was proved correct on one of its speculations on the problems between Drew and Hogg. On January 30th, the day before his letter to Hogg with its condem-

nation of the Star, Drew had made an agreement with Quebec Premier Maurice Duplessis altering the terms of the 1943 agreement for the development of the Ottawa river. The original agreement, which Drew had castigated while Leader of the Opposition, had been negotiated by Hogg. In essence, the revised agreement kept the previous allocation of power sites, but respected Drew's objections to one province being granted property in another.[17]

At the O.M.E.A. conference in March 1947 what remained of the controversy over Hogg's removal was dissipated by high-level conciliation. President R.M. Durnford acknowledged that the government had the prerogative to "impinge" on the powers of the H.E.P.C. commissioners, but urged his membership not to seek changes to the Power Commission Act based on partisan considerations. In his view, this would "get us exactly nowhere, except to lower the prestige, dignity and influence of our association." Drew, in his second speech to the O.M.E.A. in three years, repeated the main points of his radio address, but added that he did not intend to depart from the municipal "cooperative" principle. Then, Strike, who his son recalls having been "disappointed" by the affair, urged the delegates not to be guided by "sloppy thinking." He informed them that the estimates of post-war demand in Canada and other countries, based as they were on experience after World War I, had been "wrong". The controversy came to an end when "no action" was accepted on motions calling for Hogg to respond to Drew's charges and for Challies to explain why he had not informed Drew of the short-

age.[18]

The Frequency Standardization Controversy, 1947-48

As the controversy over the firing of Hogg was dissipating at the 1947 O.M.E.A. convention, a new controversy was simultaneously brewing over the H.E.P.C.'s interim plans for frequency standardization. Standardization, which had been contemplated before the war, was needed to link the H.E.P.C.'s generating stations into an integrated transmission network for post-war development. The dilemma for the O.M.E.A. was that of the estimated cost of $195 million for the 15 year project, the affected municipalities would be required to pay $35 million for the conversion of their own equipment. Moreover, the H.E.P.C., as Durnford pointed out, could make the "final decision" to proceed whatever the views of the municipalities. Until the day of decision arrived, Durnford announced that the O.M.E.A.'s "immediate" objective was to "be ready for the day when our opinions and cooperation are requested, or extended by our own volition, losing no opportunity in the meantime to advance our knowledge and gain further information."[19]

The O.M.E.A.'s lack of knowledge was made all the more apparent before the convention ended. The delegates were informed that the H.E.P.C. had hired management consultant Woods and Gordon, financial consultant Geoffrey T. Clarkson and engineering consultant Stone and Webster to examine all aspects of its operation, with the financial and engineering consultants

paying special attention to the frequency standardization program. The O.M.E.A. responded by organizing a special debate on standardization with J. Clark Keith and E.V. Buchanan, the general managers of the Windsor and London hydro commissions, arguing the pro-side and con-side respectively. The convention's discussion of the subject ended with a resolution calling for the H.E.P.C. to present a final report as soon as possible.[20]

Updating the H.E.P.C.'s organization, the mandate assigned to Woods and Gordon, was a matter of great urgency at this time. With Hogg having served in the capacity of both H.E.P.C. chairman and chief engineer, he had straddled a division of labour that had always existed but had now become more important. Walter L. Gordon, the author of the consultant's report who later became Canada's Minister of Finance, set out a new working relationship for the H.E.P.C. and the government based on this division of labour. His recommendations were premised on two interrelated and pressing realities: the retirement of many long-serving employees with "intimate" knowledge of the H.E.P.C.'s operation and the demands of anticipated post-war growth.[21]

To meet these two challenges, Gordon recommended, as had A. Murray McCrimmon in 1935 while H.E.P.C. controller, that the chairman and commissioners be "concerned with and responsible for questions of policy," meeting twice a month or as required, and leave a permanent official, styled General Manager and Chief Engineer, responsible to the commissioners for "all phases of

Hydro's operation." Under this arrangement, and with Hogg's dismissal still lingering in the public memory, Gordon felt that

> The Chairman of the Commission should be directly responsible for liaison with the government and for keeping the Prime Minister constantly informed of the problems, plans and activities of Hydro. He should see that proper liaison is maintained with the Municipalities, and be responsible for the Commission's 'public relations' in the broad sense. He would be the official head of the Commission, his position corresponding in a way with that of the Chairman of the Board of a large industrial concern.[22] [emphasis added]

In accordance with this policy deliberation function for the commissioners, Drew kept his promise to expand their number, although he did not strengthen their powers. The Power Commission Act was amended on April 3, 1947 to increase the number of commissioners to nine from three and drop the requirement for one to two ministers to sit as commissioners. This statutory amendment, however, was never proclaimed and would be forgotten as Drew would go back to the Ferguson formula. He undoubtedly did so because the O.M.E.A. was protecting its municipal cooperative claim, believing appointments made from outside the municipalities were a threat.[23]

Gordon's recommendations for two divisions of labour -- the first between the premier and the chairman as chief executive officer and the second between the chairman and the general manager as chief operating officer -- were followed only to the extent that the offices were separated after Hogg was fired. In replacing Hogg, Drew did not diverge from the convention of appointing a non-partisan chairman, although he did leave Chal-

lies as the acting chairman of the H.E.P.C. while he sought a replacement. In the interim, Challies and Strike, the two remaining commissioners, elevated Richard L. Hearn from Chief Engineer, Design and Construction to General Manager and Chief Engineer in the manner of a chief operating officer. Then, on March 1, 1948, Drew appointed Robert H. Saunders, a lawyer by profession, as the H.E.P.C.'s chairman, in the manner of a chief executive officer. In Denison's view, it was Saunders' "great personal force and imagination" that made him the most attractive candidate. Moreover, as mayor of Toronto from 1945 to 1948 he had publicly advocated frequency standardization, a policy which Drew was actively encouraging.[24] Notably, by appointing Saunders from outside the H.E.P.C. and alongside government and municipal constituency representatives, Drew had implemented the Ferguson formula for appointments in its original form.

As for the separation of policy and administration recommended by Gordon, no clear divisions would develop between the commissioners and the general manager. By all accounts, Saunders, who had no other employment, devoted his full attention to his H.E.P.C. responsibilities. Strike, for his part, worked three days a week in the 1940s and four in the early 1950s. Challies worked less regularly than Saunders and Strike, likely because of his responsibilities in the Legislature. Moreover, according to Douglas J. Gordon, then of the H.E.P.C.'s municipal department and later its general manager, the commissioners would meet in session weekly rather than twice a month because

of the sheer volume of business to be handled in this period of rapid growth. Denison concurs with the above, stating generally that "Saunders and Hearn, together with the two overburdened commissioners, Challies and Strike, made a formidable administrative group."[25]

On March 2, 1948, the day following Saunders' appointment, the O.M.E.A convention opened with frequency standardization dominating the agenda. The H.E.P.C.'s final report, published for distribution at the convention, recommended that the program proceed. In answer to the municipalities' chief concern, the report argued that the costs of converting their works would be "self-liquidating" over twenty years as a result of "direct savings." Although Saunders addressed the delegates briefly, it was Strike who explained the H.E.P.C.'s expectations of the O.M.E.A. He assured the delegates that no attempt would be made to get their consent for the project during the convention. However, with the cabinet having already expressed its desire to pass the necessary legislation, he added that the H.E.P.C. would expect the O.M.E.A. to come to a decision by April 15th. This was one day before the legislative session was set to end.[26]

After numerous information sessions and significant discussion, the delegates passed two resolutions. The first established a joint committee of the O.M.E.A. and the Association of Municipal Electric Utilities (A.M.E.U., the body of general managers and engineers) to examine the standardization proposal. The second called for the Committee's report to be discussed at

a special general meeting of the O.M.E.A. and that no action be taken by the H.E.P.C. or the government before that time. According to Gordon M. McHenry, whose father Morris had been in constant contact with the O.M.E.A. as Director of Consumer Service for the H.E.P.C. since 1938, the O.M.E.A. was not being obstructionist. In his view, it was an unwieldy organization that took time to reach a "consensus".[27]

On the same day the O.M.E.A. resolution was passed, March 3, 1948, the Speech from the Throne announced the government's intention to introduce legislation on frequency standardization. The legislation was subsequently passed by a unanimous recorded vote on March 31st. The next day, April 1st, the O.M.E.A.-A.M.E.U. joint committee reported that the standardization program was unnecessary and too expensive. The O.M.E.A. executive debated the findings on April 5th, and Saunders and Strike, in answer to its questions, stated that the legislation which had been passed was flexible on the "mechanics" of implementation. Without taking a position, the executive set the special general meeting for May 12th, a month after the April 15th date Strike had previously said the H.E.P.C. needed the decision.[28]

Unknowingly, the O.M.E.A.'s timetable had entered it into a showdown with the government when Drew called a surprise provincial election on April 16, 1948, the last day of the legislative session. With only three years having passed since the last election, the only reason Drew gave for the call was that he needed popular sanction for frequency standardization, which

he declared was part of a "vast integrated programme" of industrial expansion. Although it had been supported unanimously in the Legislature, he claimed that the Liberals and the C.C.F. were really against the program. He added as well that Liberals on the O.M.E.A.-A.M.E.U. committee studying standardization had orchestrated the negative report to hurt the government.[29]

O.M.E.A. president G.F. Hutcheson was "dumbfounded" by both the election call and the use of the H.E.P.C.'s affairs as the pretext for the election. With prominent O.M.E.A. members running for all parties, Hutcheson cancelled plans for the special general meeting after consulting members of his executive. Even though he felt he would be censured for the decision, he believed it was advisable for the association to stay removed from party politics. When the full executive met on May 3, 1948, his action was sustained after vigorous debate, with the convention rescheduled for after the election. This decision followed an impassioned speech by Saunders, who exercised his prerogative as Honourary President of the O.M.E.A. to attend the meeting. Subsequently, the Conservatives received a new majority in the June 7th election, although Drew was personally defeated by a C.C.F. temperance candidate. When the special general meeting convened on June 21st, the O.M.E.A. delegates vented their anger upon the government for proceeding with standardization before the association had made its decision. Notably, Strike's dual loyalties likely kept him from taking sides publicly at this meeting, but Saunders did give a rousing speech on the benefits

of frequency standardization. In the end, a resolution, engineered by Hutcheson and sponsored by the executive, isolated and undercut the hard-line opponents. It endorsed the program but urged the H.E.P.C. to heed O.M.E.A. recommendations on financing.[30]

The Frost Government and the H.E.P.C., 1949-55

Drew stepped down as premier on October 19, 1948 to become national leader of the Progressive Conservative Party. He was succeeded by Treasurer Leslie M. Frost on May 4, 1949, following a period under an interim leader, Thomas L. Kennedy.[31] In the meantime, two small but significant changes had occurred in the relationship between the H.E.P.C. and the government on April 1, 1949. The Power Commission Act was amended, first, to require the H.E.P.C. to submit its annual report to the Provincial Secretary, who was then to submit it to the cabinet and table it in the Legislature. Since 1916, the H.E.P.C. had submitted its report only to the cabinet "for the information of the Assembly." Second, the frequency standardization provisions of the Act were amended such that any new or replaced works were explicitly declared to be the property of the H.E.P.C., and were not accompanied by more generous financing provisions for the municipalities. This meant that the works could not rightfully be included in any municipal claim to own the H.E.P.C. cooperatively. This diminution of the municipal claim continued during Frost's first legislative session. The Act was amended on

March 24, 1950 to remove the requirement that the annual report document in detail the sinking fund contributions of each municipality, although the H.E.P.C. would continue to supply the information and list it as "equity" in the H.E.P.C.[32]

Frost had a very definite idea of how the H.E.P.C.'s relationship with the government should be structured. He felt that the H.E.P.C. chairman should be the government's "right hand in relation to Hydro matters" even though he recognized that the H.E.P.C. had autonomy from the government and that the chairman should not act as a government representative. His reason, according to Roger Graham, was that the government carried an "unavoidable responsibility" for the H.E.P.C.'s affairs since the H.E.P.C. "provided the lifeblood of the province." Saunders, for his part, challenged Frost's view in November 1950, making the case that the chairman should hold the position at "good behaviour," like a judge, rather than be "subjected to the whims or patronage of any political party." Notably, he also felt that the chairman's salary should be commensurate with a full-time position rather than at a level which assumed the chairman had other income and business interests. According to Robert W. Macaulay, whose father Leopold had been Conservative leader prior to Drew and who himself was elected to the Legislature in 1951 and would become the first minister with portfolio for energy, Saunders was an "empire builder" like all H.E.P.C. chairmen.[33] In the event, Frost chose to make no modifications to the chairman's role while Saunders filled the post.

Frost also faced pressure from the O.M.E.A. on the make-up of the H.E.P.C. At its February 1951 convention, the first since he had become premier, the O.M.E.A. demanded direct representation on the H.E.P.C. This demand had not been heard since before Ferguson's appointments in 1925. Although thankful that Strike as an O.M.E.A. past-president was a commissioner, the association's executive was requested to press Frost for an amendment to the Power Commission Act to permit the O.M.E.A. to elect one of three or two of five commissioners. Frost did not act on the request and indeed did not even expand the number of commissioners, even though the latter would only have required proclamation of the statute Drew had initiated in 1947.[34]

Following the O.M.E.A. convention, an important instance of the government's "unavoidable" responsibility for the H.E.P.C.'s affairs arose. As a result of a Canada-U.S. treaty and a federal-provincial agreement, a new Niagara Development Act was passed on April 5, 1951. The Act empowered the H.E.P.C. to construct a second large generating station to meet the increased power demands of the province. The treaty, inventively, removed the maximum restrictions on the amount of water that could be diverted from Niagara Falls, replacing them with minima that must be maintained during the day for scenic beauty. This enabled the H.E.P.C. to divert large amounts of water at night for storage and use the next day.[35]

With the government's responsibility for the H.E.P.C. increasing with post-war economic growth, Frost rejected the requ-

ests of Saunders and the O.M.E.A. to relinquish the cabinet's appointment power. Instead, he moved to break the H.E.P.C.'s concentration of decision-making power by resurrecting the Hydro-Electric Advisory Council. It had been left dormant since being created but never appointed in 1944. On April 5, 1951 the Power Commission Act was amended to increase its size from five to nine persons. Frost's broad objective for the council, in Graham's view, was to counter the popularly held view that the H.E.P.C. was "beyond democratic control." Frost would later explain that "the magnitude of Hydro's operations and its influence on the daily life of Ontario's people [made] it imperative that the H.E.P.C. should have the benefit of all viewpoints."[36]

Frost was moved to infuse outside advice into the H.E.P.C.'s decision-making, according to Graham, after reviewing private sector corporate organization. Having observed a "functional distinction" between a board of directors' responsibility for "broad policy questions" and its executive committee's responsibility for management, his intention was to replicate these roles in the H.E.P.C.'s decision-making. He envisaged that the advisory council, by meeting once a month with the commissioners, would fill a board's function, with the commissioners' daily management function making them akin to an executive committee. Such a diffusion of power, in Frost's view, would improve the H.E.P.C.'s "accountability to the public and the public's participation in broad policy decisions." Strike, on

the other hand, thought the council would be "tits on a bull." According to Alan Strike, his father likely told Frost there was nothing for it to deliberate, but would not have stood in the way if Frost believed in it strongly.[37]

On announcing his appointments to the advisory council in the spring of 1951, Frost stated that they were chosen for their familiarity with "the problems of their respective fields of activity." They were: D.P. 'Bud' Cliff, President, O.M.E.A.; M.W. Rogers, President, A.M.E.U.; C.H. Moors, Chairman, Fort William Hydro-Electric Commission; J. Clark Keith, General Manager, Windsor Utilities Commission, (who had advocated frequency standardization); Marjorie Hamilton, Mayor of Barrie (and ex officio member of her hydro commission); J.P. Maher, Toronto Board of Trade; A.F. MacArthur, President, Ontario Federation of Labour; J.C. Brodrick, President, Ontario Federation of Agriculture; and, Gratton O'Leary, Associate Editor, Ottawa Journal. The high profiles of these appointees were indicative of the importance Frost attached to the council, and also of the power of the municipalities. In this light, it was surprising that the council never became a presence and indeed may never even have held formal meetings. Macaulay, who was actively engaged in hydro issues as a backbencher and a cabinet minister from 1951 to 1963 and knew many of the appointees, does not recollect ever hearing of the council. He suggests that unless it was a "private little group of people who met the Premier in his bathroom, it had no public status."[38]

The existence of an advisory council, even with five of the nine members having direct municipal hydro involvement, was likely perceived by the O.M.E.A. to be a challenge to its then preeminent influence in the H.E.P.C.'s affairs, if not its municipal cooperative claim. When the association's executive convened to discuss the council's ramifications, it resolved to request that the government hold the council in abeyance pending an O.M.E.A. meeting with Frost. This left O.M.E.A. president Cliff, as a member of the council, in a difficult position because, by accepting the appointment, he had not personally objected to its existence. Cliff would later state that the government had agreed to discuss the principles underlying the council.[39]

The reason why Frost did not insist that the advisory council function was never made clear. Denison, who does not acknowledge its inactivity, suggests that the council was created simply to provide a "cross section of public opinion," particularly for the implementation of frequency standardization. For this reason, its continuance might not have been critical. Macaulay, on the other hand, feels that Frost was too "thoughtful and farseeing" to engage in such public relations "gestures". In his view, Frost believed the H.E.P.C. was facing major challenges which required it to make adjustments, but two obstacles likely stood in the way of the council being of assistance. The first was that Saunders, like his predecessors, did not want "outside" advice because the "responsibility, affiliation and

affinity" of the advisers was to the premier's office, and the advice could be given without his "knowledge or participation." The second was that the O.M.E.A. was a powerful "political reality" whose opposition could not be taken lightly.[40] With an election looming, a showdown with the O.M.E.A. over the council was likely not considered advisable.

When Frost called a provincial election for November 22, 1951, he highlighted his concern over the political implications of the H.E.P.C.'s affairs for the government. The development of the St. Lawrence, historically a politically sensitive project that could have been vetted by the advisory council, was one of the issues for which he deemed his government needed a mandate. Having won the election, Frost was well positioned for a showdown with the O.M.E.A. over the existence of the council, but one did not occur. Instead, following a resolution at the association's February 1952 convention, the government agreed to recognize the O.M.E.A. as the body from which the H.E.P.C. should receive advice. The provision for the council would remain in the Power Commission Act until 1973, but the council would never function.[41]

It remained that many of the challenges Frost had foreseen as requiring outside input were upon the H.E.P.C. in 1952. In that year, three avenues for new energy supplies were opened in Ontario. First, the International Joint Commission approved the development of the St. Lawrence after the myriad of provincial, federal and international problems which had hamstrung the proj-

ect since the 1920s had been resolved. Ontario followed by passing enabling legislation for the H.E.P.C.'s participation on April 10th and again on October 23rd.[42] Second, on the basis of discussions between the Atomic Energy Control Board of Canada and the H.E.P.C., a joint effort began to develop nuclear power on a commercial basis in Ontario by 1962. Indeed, as a result of these discussions, Atomic Energy of Canada Limited was created as a commercial subsidiary of the A.E.C.B. in 1952.[43] Third, discussions began for the construction of a pipeline to transport natural gas to Ontario from Alberta to meet increased commercial and consumer demand. This would mean competition for the H.E.P.C.[44]

Following the introduction of these mega-projects, Frost injected a measure of government input into the H.E.P.C.'s affairs. In 1953, he created a committee on which senior Treasury officials joined H.E.P.C. planners "to coordinate the raising of capital and to consider the implications of Hydro's plans from the standpoint of general public policy."[45]

Revamping the H.E.P.C. through Appointments, 1955-56

Having previously been frustrated by both Saunders and the O.M.-E.A., Frost received an unexpected opportunity to revamp the H.E.P.C.'s decision-making in 1955. Saunders, who was only 51 years-old, died on January 16th from injuries sustained in a plane crash on January 14th. Rather than have Challies, as vice-chairman, automatically become acting-chairman, Frost refrained

from making a minister chairman. Instead, he appointed Hearn on an interim basis on January 24th. Notably, Hearn, unlike Hogg before him, relinquished his positions as general manager and chief engineer, keeping a division of labour between chief executive and chief operating officers. At the O.M.E.A. convention that winter, the delegates used the occasion of Hearn's appointment to renew their call for direct and increased representation on an enlarged H.E.P.C. In fact, the resolutions committee consolidated three motions to this effect, although the product would be amended by a more moderate position from the floor by Bert Merson of Toronto Hydro. The amended resolution respected the cabinet's prerogative to make appointments, and only called for the government to consult it in the case of vacancies or an increase in the number of commissioners.[46]

The government responded to the O.M.E.A.'s restlessness on March 15, 1955 with a number of amendments to the Power Commission Act. On introducing the legislation, Frost announced that the size of the H.E.P.C. would be enlarged to recognize the O.M.E.A.'s longstanding claim for further representation and to "broaden" input into the H.E.P.C. Although the O.M.E.A. executive had suggested following the convention that he should make appointments from names it submitted, Frost side-stepped this request. He announced that he intended to appoint O.M.E.A. president Lt. Col. A.A. Kennedy when the legislation had passed. He also stated that he wanted an executive committee of three concerned with daily management and the additional commissioners to

function like directors of a private corporation.[47] This outline was somewhat similar to the division of labour Frost had intended for the commissioners and the advisory council, but was offering more collegiality than he had done in 1951.

The amendments to the Power Commission Act, passed March 31, 1955, had four main features: the number of commissioners was expanded to six from three; the number of vice-chairmen was increased to two from one (presumably so both the government and the O.M.E.A. could have one given that Strike had informally been referred to as "second vice-chairman" since 1947); the chairman and the two vice-chairmen were deemed the "chief executive officers," able to exercise all the powers of the H.E.P.C. as an "executive committee"; and, the $45,000 cap on over-all remuneration for the commissioners as a group, which had existed since 1924 and which Saunders had criticized, was removed.[48] As a result of these changes, Walter L. Gordon's 1947 recommendation that daily management of the H.E.P.C. be placed with the general manager was put to rest. In fact, the relentless effort to expand supply for post-war growth, the continuing frequency standardization program and the statutory supervision of municipal hydro matters was an onerous responsibility for the commissioners. Not surprisingly, it was at this time that Strike began to work full-time at the H.E.P.C.[49]

With the structural changes to the H.E.P.C. in place, Frost proceeded to infuse it with new appointments, although not the full complement of six commissioners. He created a vacancy by

appointing Challies as chairman of the new St. Lawrence Development Commission, occasioning Challies' resignation from both the H.E.P.C. and the cabinet. On May 2, 1955, with Hearn remaining chairman and Strike the O.M.E.A. representative, Frost appointed William E. Hamilton, a minister without portfolio, as first vice-chairman and O.M.E.A. president Kennedy, as promised, as a fourth commissioner. Hamilton, however, was defeated in the June 9th election in which Frost won another majority. He was replaced as first vice-chairman by W.K. Warrender, another minister without portfolio, on August 17th. Notably, in these 1955 appointments Frost had diverged from the Ferguson formula of balanced representation for the government and O.M.E.A. Although their representation on the executive committee was equal, the government had just one representative on the H.E.P.C. while the O.M.E.A.'s representation was increased to two from one.[50]

Although the O.M.E.A. was pleased by its increased representation, many of its members had designs on the H.E.P.C. chairmanship. With Hearn set to retire on October 31, 1956 at age 65, they felt that Strike should be appointed chairman in his place. This was not to be, according to Alan Strike, because his father was "not high profile or political enough." Instead, Frost appointed 63 year-old James S. Duncan, the former chairman and president of Massey-Ferguson, as chairman on November 1st. Although he was a virtual unknown to the H.E.P.C. and the O.M.E.A. and had been "unceremoniously removed" from Massey

according to Peter Cook, Graham reports that Frost "respected him highly" and was glad he accepted. As for Strike's view, his son recalls him feeling that Duncan was not an "attentive" chairman. From the staff perspective, Douglas J. Gordon, who was Director of Consumer Service at this time, believes that Duncan, having been a businessman, "gave a lot of control back to management."[51]

In addition to Duncan's appointment, Frost made three other changes. First, with Warrender having become Minister of Municipal Affairs, he was replaced as the minister without portfolio on the H.E.P.C. by Thomas 'Ray' Connell. Second, Strike replaced Warrender as first vice-chairman, likely as a consolation for the O.M.E.A., with Connell becoming the second vice-chairman. Third, 'Bud' Cliff, the secretary-treasurer of the O.M.E.A. since 1953 and formerly its president, was appointed as a fifth commissioner and possibly also as a consolation for Strike not becoming chairman. As a result, the O.M.E.A. now had three former presidents -- Strike, Kennedy and Cliff -- as H.E.P.C. commissioners.

In sum, Frost had stuck to the Ferguson formula by appointing a non-partisan from outside the H.E.P.C. as chairman, but obviously felt it was not essential to keep government constituency representation in balance with O.M.E.A. representation. Not surprisingly, the delegates at the O.M.E.A convention in February 1957 expressed their "complete satisfaction" with the changes initiated by Frost and the "due recognition" the

association had received through appointments. Although they had good reason to be jubilant given that the O.M.E.A. had three of the five commissioners, the responsibilities of the commissioners were differentiated by function. Thus, as an ordinary commissioner, Cliff worked only one day per week at the H.E.P.C. according to his son Don, and presumably the same held for Kennedy who lived in Owen Sound. As a result, balanced constituency representation did remain on the executive committee through Strike and Connell. However, even here the situation had changed. Duncan, unlike Saunders, had no hydro experience and the same held for Connell. Moreover, Duncan travelled out of the country frequently and extensively, leaving Strike, in whom he had confidence, to take charge of the H.E.P.C.'s affairs.[52]

Among the first concerns of the new H.E.P.C. leadership was direct competition from the natural gas industry. With the pipeline from western Canada set to be completed in 1958, gas distributors were actively seeking new customers in 1957. Until this time, residential space heating had not been of interest to the H.E.P.C., but the promotional rates being offered to entice home owners to natural gas changed the situation. It was not only advantageous for them to convert their furnaces to gas; the same held for ranges and water heaters as well. Without these two important sources of demand there was a fear that the historical basis for low electricity rates, high consumption, would be lost. To meet the challenge, the H.E.P.C., in conjunction with the O.M.E.A., devised the "Live Better Electrically" campaign,

with its details dominating the March 1958 O.M.E.A. convention. For instance, Strike implored the delegates to recognize the self-interest in promoting, not just selling, electricity and the need to form a joint strategy with appliance manufacturers, dealers and electrical contractors. The signal that the competition would hurt came when Duncan announced following the convention that the joint strategy would be extended to direct competition on residential space heating.[53]

Asserting Government Control, 1958-59

The relationship between the government and the H.E.P.C. changed dramatically after May 26, 1958. With Connell having been made Minister of Reform Institutions, Frost appointed Robert W. Macaulay, a dynamic 37 year-old minister without portfolio, as the new second vice-chairman. In Macaulay's view, the reason he was selected over other promising candidates was that Frost recognized he had shown "initiative" on the subject in his seven years in the Legislature. Specifically, he had used his legal talents to redraft legislation to permit expropriations for the vast St. Lawrence project and had become well versed in the H.E.P.C.'s affairs. When he asked for the Premier's view on what the job entailed, Frost responded that the H.E.P.C. was "the largest god damn refrigerator in North America and I want to warm it up." George E. Gathercole, then Deputy Minister of Economics who would be appointed to the H.E.P.C. himself in 1961, concurs. In his view, Macaulay was appointed because Frost

was seeking "to know first-hand what was going on."[54]

Macaulay went about becoming an activist H.E.P.C. commissioner much to the consternation of Duncan, who, in Macaulay's view, did not want to be rivalled as the "connecting link" to Frost. As a result, Macaulay feels Duncan sought to "breast feed" him information, whereas he was asking questions directly of the H.E.P.C.'s staff. At first, Duncan responded with bewilderment. In conversation with Provincial Treasurer Dana Porter (as later reported to Macaulay by Porter), Duncan said: "we gave him a car, a chauffeur, we put a refrigerator in his office. What more could he ask for!" Believing Macaulay's inquisitiveness was without precedent, Duncan's bewilderment later turned to resentment. On August 26, 1958, he made the case to Frost that Macaulay's probing amounted to partisan interference in the H.E.P.C.'s operations. The Premier, however, was unsympathetic. Frost told Duncan, Macaulay recollects, that the minister was just "a young man who is trying to fulfil his relationship between Hydro and members of the Legislature and me." According to Graham, Frost was unbending because the "liaison" the ministerial appointment provided the H.E.P.C., the government and M.P.P.s was a function to which he had given a "good deal of thought." Macaulay's appointment was nonetheless a watershed. According to Douglas J. Gordon, his "active interest and participation" in what was going on "inside" the H.E.P.C. was what distinguished him from his predecessors.[55]

The differing views of Duncan and Macaulay were aired pub-

licly in the fall of 1958 before the Committee on the Organization of Government in Ontario. Chaired by Walter L. Gordon, the Committee was mandated by Frost to examine "administrative and executive problems" as well as the "relationship of Boards and Commissions to the Government and the Legislature." Notably, Duncan's submission repeated the view of the 1947 management consultant's report authored by Walter L. Gordon, that the chairman should report "directly" to the premier. Duncan also stipulated that he, as chairman, was "anxious" for M.P.P.s and ministers to bring their H.E.P.C. problems directly to him. This was a veiled critique of the liaison function of the minister without portfolio appointed to the H.E.P.C. Macaulay, for his part, expressed an entirely contradictory view. He argued that a minister "should have responsibility for the H.E.P.C. not just in reporting, but that [the minister] should be part of the [decision-making] process."[56]

The contesting views of Duncan and Macaulay would escalate further after the Speech from the Throne January 27, 1959 announced that an energy portfolio would be created. The stated purpose for its establishment was to deal "comprehensively with energy and power" in all its forms, "determine the most economic use of power sources" and "deal with the vast financial problems in such developments." Although the announcement preempted the Gordon Committee's report, according to Macaulay it was not meant to prejudge the Committee's recommendations. He recollects that Frost believed Ontario was "on the steps of a new gener-

ation" in terms of energy, and for this reason felt it was time to "specialize" even if an energy portfolio would not please Duncan or the O.M.E.A. Gathercole, who believes the opponents were "unnecessarily perturbed," similarly recalls that energy policy issues simply had "expanded" to such an extent that a separate department was deemed necessary if the government was to be able to "deal with" the questions for which it would be responsible.[57]

Strike, for his part, told Macaulay and Frost that making the H.E.P.C. responsible to a minister with portfolio would be its "death knell." According to his son, he felt the H.E.P.C. could not be efficiently managed if it had to "kowtow" to politicians. Until this point, he had accepted but not enjoyed the politics ministers without portfolio had brought to the H.E.P.-C., choosing to object only when they went overboard. Strike nonetheless recognized that Macaulay differed from his predecessors because he had been appointed to make the H.E.P.C. more responsible to the government and the public. For this reason, Strike respected him as a "role player" for Frost, and did not stand in his way.[58]

When Macaulay rose in reply to the Speech from the Throne on February 10, 1959, he did not even refer to the proposed energy department. He chose instead to give an overview of the H.E.P.C.'s origin and history and bait John Wintermeyer, the Liberal leader, for criticisms he had made of the H.E.P.C. in December 1958. Likely anticipating the O.M.E.A.'s objections to

the department, Macaulay went to great lengths to state that the municipalities, as "common shareholders" in a "cooperative", were the real owners of the H.E.P.C. rather than the government. He added, however, that the Legislature had a "legitimate interest" in the H.E.P.C. because it was a monopoly and the government was its creditor. Then, after acknowledging that the O.M.E.A. was the "representative" of the owners, he implicitly criticized its call to keep "politics", rather than just patronage, out of the H.E.P.C. as "untutored" because of the government's "legitimate interest." In closing, and still without having mentioned the proposed department, he quoted Disraeli that "change is inevitable in a progressive country."[59]

Duncan was likely not impressed by the lack of information Macaulay had provided about the proposed department, believing the department was being created specifically to control the H.E.P.C. According to Graham, he expressed his apprehension directly to Frost on February 17, 1959, offering two reasons why the H.E.P.C. should be "excluded" from its purview. First, he did not feel Macaulay, the rumoured minister, would be "content merely to provide a linkage," as had the ministers without portfolio who had preceded him. Second, he feared that the existence of the portfolio would threaten his direct access to Frost. He also expressed concern, according to Graham, over a "resurrection" of the advisory council, although Macaulay claims that no plan existed. In Macaulay's view, Duncan was simply Saunders "all over again" in terms of controlling advice to the premier.

After introducing the legislation to create the department on March 11th, Frost sought to allay Duncan's fears by informing him that it was intended only to develop broad energy policy.[60]

The government's decision to create an energy department was a call to arms for the O.M.E.A. At its March 17, 1959 convention, President Bert Merson reported that he and Secretary-Treasurer Cliff, who doubled as an H.E.P.C. commissioner, had expressed to Frost the O.M.E.A.'s "strong exception" to the proposed department. Although Frost had assured them that it would not "change the status of the relationship" between the H.E.P.C. and the government, Merson sponsored a resolution calling on the government not to enact legislation which would "circumvent the present independence of action" of the H.E.P.C. Cliff, for his part, used his secretary-treasurer's report to express the O.M.E.A.'s historic scepticism toward government control. In an obtuse message, he stated that it was time to "rededicate" the association to the "spirit of cooperation" that underlay the H.E.P.C.'s origin and autonomy. Duncan and Strike, however, sought to diffuse the situation. Duncan now claimed that he "looked forward to the future without concern," and justified the department's creation on the basis that "the government and all members of the legislative assembly are intimately affected by Ontario Hydro." Strike deflated the O.M.E.A.'s protests by reminding the delegates that public hydro had only been "successful and efficient" when the H.E.P.C., the municipalities and the government performed their statutorily assigned

functions with the utmost "diligence, goodwill and cooperation."[61]

Ministerial Responsibility and Collegial Decision-Making, 1959-61

Within the spirit of Frost's assurances to Duncan and the O.M.E.A., the Department of Energy Resources was created on March 26, 1959. Macaulay, who drafted the statute, recollects that he was careful not to make the minister formally responsible for the H.E.P.C. in order to maintain the "illusion" of autonomy. And, although it gave the cabinet the power to assign the minister the "administration" of any other Act, the Power Commission Act was neither assigned nor itself amended to make the H.E.P.C. responsible through the minister. In fact, the H.E.P.C. would by statute continue to submit its annual report to the Provincial Secretary. According to Gathercole, there were two reasons the minister was not made officially responsible for the H.E.P.C.: "too much government interference would create dissension" and the minister, who presumably would fill the statutory requirement for a minister on the H.E.P.C., "had only one vote." Nevertheless, Macaulay believes that even though the Minister of Energy Resources was not made formally responsible for the H.E.P.C., it was "generally understood" that the minister would be responsible.[62]

On another score, the Crown Agencies Act, which had been passed three days earlier in the session on March 23rd, had

further clarified the H.E.P.C.'s autonomy. Although it was introduced for the innocuous purpose of declaring all agencies "owned, controlled or operated" by the government to be "agents" of the crown and thus exempt from federal taxation, it had been amended before being passed to exclude the H.E.P.C. With regard to this amendment, Macaulay does not recall whether it had been forwarded in response to his Bill. He does believe, however, that in these simpler times legislators in Ontario were practically working with "abacuses", causing most legislation to be introduced rather "ineptly" and many amendments to be "knee-jerk" reactions.[63]

The Department of Energy Resources, at the time unique in the Commonwealth and the United States, was ostensibly created to permit a minister to address the broader issues of energy rather than assume direct responsibility for the H.E.P.C. With the greater diversity of energy supply and the increased importance of energy to the economy, it was needed, Gathercole remembers, for the government to address the "broader societal interest." The basis for this general mandate, according to Macaulay, was that Frost felt a minister was needed to guide Ontario through its increasing reliance on thermal power generated from American coal. This was a politically sensitive matter given the historic significance of inexpensive water power to Ontario's economic self-reliance. Although the government felt that the problem would eventually be cushioned by the use of uranium sourced in Ontario, Frost also believed that a minister

was needed to find "alternate" uses for uranium since future demand for mining output from Elliot Lake looked increasingly weak. This was the case despite the fact that the decision to build a commercial nuclear power station at Douglas Point was made in 1959. In addition, there was also the thorny issue of competition between electricity and natural gas to consume the minister's time. According to Donald C. MacDonald, the then Ontario C.C.F. leader, the creation of the department was an "implied confession of inadequate policies" for the natural gas industry.[64]

Macaulay, as expected, was appointed Minister of Energy Resources on May 5, 1959, one month before Frost won another majority on June 11th. Despite this new responsibility, he remained the H.E.P.C.'s second vice-chairman. This dual responsibility and the fact that the relationship between the H.E.P.C. and the Minister of Energy Resources was not mentioned in the statute was problematic for the Gordon Committee, which reported on September 25th. It recommended that the minister carry out his responsibilities with "care, foresight and understanding" to ensure that the "essential independence" of the H.E.P.C. was maintained and its usefulness left "unimpaired". More specifically, the Committee recommended that the Minister of Energy Resources should limit his involvement in the H.E.P.C.'s affairs to "plans for growth and development and the more important of its operating policies." It reasoned that if the minister assumed responsibility for day-to-day administration it would

possibly make the chairman and commissioners "redundant". Moreover, it would undermine the buffer they provided in terms of shielding the H.E.P.C.'s operation from partisan control. In the Committee's view, the division of responsibility would be safeguarded if the minister no longer sat as a commissioner because this practice presented confusing lines of authority. It placed the minister in the position of being a "subordinate" to the collective will of the commissioners while by constitutional convention the minister must "prevail" in policy disputes with the H.E.P.C.[65]

Although Macaulay remained both a minister and a commissioner, he believes the government reserved judgement on the Gordon Committee's recommendations regarding his dual role rather than reject them outright. He explains that the recommendations were a "very modern view" of relations between a government and a crown corporation and that Gordon, who he knew personally, was a man "ahead of his time." In retrospect, he believes the recommendations were correct, but were not implemented immediately for two reasons: there were "political overtones" to the message this would have sent the O.M.E.A. and Frost, who did not make "rash moves," would not act on the recommendations until he had fit them into his "long-term plans for restructuring the H.E.P.C."[66]

As for the problem of a policy conflict between his roles as Minister of Energy Resources and an H.E.P.C. commissioner, Macaulay claims one never occurred mostly because his presumed

power over the H.E.P.C. was an "illusion". First, he feels any potential for conflict was diminished by the fact that he did not attend meetings of the H.E.P.C. on a regular basis after assuming the portfolio. And, second, the chairman, in his view, held all the power with Strike, the first vice-chairman, having important influence stemming from his municipal constituency that he could not equal as a government representative. For his part, however, Douglas J. Gordon remarks that at the "interface" between the government and the H.E.P.C., historically the function of the government representative, Macaulay was a "strong" minister.[67]

Although the relationship between the government and the H.E.P.C. was not raised in the 1960 legislative session, Macaulay did use this occasion to consolidate the government's statutory powers in the energy policy field under his energy resources portfolio. This occurred primarily through the Energy Act and the Ontario Energy Board Act. Although the latter transferred regulatory power over the oil and gas industry from the mines portfolio to energy resources, it did not extend to include the H.E.P.C.'s rates.[68] Thus, the initiative was sufficiently restrained that the relationship between the government and the H.E.P.C. escaped scrutiny at the 1960 O.M.E.A. convention.

Later in the year, however, the H.E.P.C.'s relationship with the government was scrutinized by a select committee of the Legislature reviewing the Gordon Committee recommendations. In

its November 17th report, the Committee argued, generally, for greater legislative scrutiny of agencies. Notably, it recommended that their annual reports be submitted to a "responsible" minister who would be "answerable" for the agency in the Legislature. As for the H.E.P.C. specifically, the Committee acknowledged its "cooperative trust" foundations, but concluded that it was "ultimately responsible to the Legislature." The Committee wished to undertake further study before making any specific recommendations on the H.E.P.C., but none would be undertaken.[69]

Following on the Gordon Committee's and the Select Committee's sentiments, the relationship between the H.E.P.C. and the government became an issue during the 1961 legislative session. This was occasioned by Bill 53 as initiated by Ross M. Whicher, an opposition Liberal M.P.P. who was inspired by their recommendations but had not been on the Select Committee. The Bill proposed to make the Minister of Energy Resources responsible for the H.E.P.C., to remove the provision for ministers to sit as commissioners, and to appoint the provincial auditor as the H.E.P.C.'s auditor, abolishing its prerogative to choose its own. Controversial in nature, the Bill was much discussed at the February 1961 O.M.E.A. convention. In arguing against the Bill, President V.S. Wilson repeated the refrain that the H.E.P.C. was a "cooperative trust" of the municipalities rather than an "agency" of the government. The convention then gave its support to a motion sponsored by Past-President Bert Merson. In a mis-

direction of hostility, it called for no action to be taken by the "government". Notably, 'Bud' Cliff, having not hesitated to give his view in 1959, was conspicuous by his silence.[70]

With the convention nearing an end, Macaulay arrived to make remarks on the Whicher Bill, having received the expressed prior permission of Wilson and the consent of Frost. From the floor, Merson "strenuously objected" to the entry of "politics" into the proceedings, and challenged Wilson's invitation for Macaulay to address the convention. A standing vote had to be held to decide the issue. According to Don H. Cliff, then of the H.E.P.C.'s consumer service department, this was the "tensest" moment in the 35 consecutive O.M.E.A. conventions he attended. In his view, the delegates felt Macaulay, as a minister of the Crown, should be permitted to speak, and feared the consequences of spurning him. When the vote sustained Macaulay's invitation to speak, Merson and others stormed out of the room. Following this high drama, Macaulay stated, after referring to himself as the "responsible minister," that the government would keep Frost's assurance not to "tamper" with the traditional relationship. He then criticized the Whicher Bill as designed to "obliterate" this relationship, and assured the delegates that the Bill would be defeated by the government. For this news, he received a standing ovation. In the end, the Whicher Bill was defeated at second reading on March 28th.[71]

The 1961 convention also received a portent of the future. Duncan felt it necessary to rebut criticism that the H.E.P.C.

was engaged in a "misguided effort to stimulate growth for growth's sake." In his view, the criticism failed to distinguish that the H.E.P.C.'s sales promotion campaign was geared to promoting greater economy and efficiency from the existing capital works, whereas its new facilities were required for the "expanding economy." He then pointed out that in a residence with a gas furnace, range and water heater, the revenue from electric use, primarily lighting, was not sufficient to offset the capital cost of the service. Moreover, he noted that growth rates in many municipalities were not sufficient to keep rates low, making it imperative to "reverse" the trend to gas. Gordon M. McHenry, who was then Manager of Residential Sales for the H.E.P.C., explains that space heating was encouraged not only to retain the "heavy" loads. It was also promoted for the economic reason that it had the potential to "flatten" the load curve by increasing power use in off-peak hours and thereby increasing revenue from a base of relatively fixed costs.[72]

The Robarts Government and the H.E.P.C., 1961-62

Both the premier and the H.E.P.C. chairman resigned in 1961, occasioning numerous changes to the actors in the H.E.P.C.'s relationship with the government. Duncan resigned on May 31st at age 68 and was succeeded as chairman by Strike, age 65. Although there had been rumour according to Alan Strike and Don H. Cliff that Gathercole would be appointed chairman, both Macaulay and Gathercole remember that Frost clearly wanted to appoint his old

friend Strike as a "reward" for service.[73] In turn, Macaulay replaced Strike as first vice-chairman without a new second vice-chairman being named. Notably, Strike's appointment did not fit the Ferguson formula even though he was not a partisan because he had been an O.M.E.A. constituency representative. Later in the year, Frost stepped down and was succeeded as premier by John P. Robarts, his Minister of Education, on November 8th.

In the transition of the Conservative leadership and the premiership, hydro issues had played a small but not insignificant role. Macaulay, who finished third in the leadership race, believes his views on hydro issues "quite likely" had an effect on the outcome given that he was perceived by the O.M.E.A. to be a "threat" and its membership, which he states was for the most part Conservative, reached every constituency association in the province. Although there was no organized campaign against him, William G. Davis, who was then Macaulay's campaign manager and would later become premier of Ontario, remembers that the O.M.E.A. presence had a "limited" but not a "determining" role in the outcome. In any event, after Macaulay had swung his support to Robarts on the final ballot of the convention, Robarts acknowledged his interests in energy and the economy. Robarts appointed Macaulay Minister of Commerce and Development on November 8th, re-enacted as Economics and Development on December 15th, and he continued as Minister of Energy Resources and, for the time being, the H.E.P.C.'s first vice-chairman.[74]

The subject of cabinet ministers sitting as commissioners was again raised when Macaulay introduced Bill 36 in the Legislature on December 1, 1961. Although Macaulay had chastised the intent of the Whicher Bill earlier in the year, he was now acting on one of its key tenets. He was seeking to end the requirement that two ministers "shall be" commissioners, leaving the provision that two of the six "may be" ministers. On reflection, he feels the Bill was a belated response to the Gordon Committee's 1959 report rather than a change of policy from the Frost to Robarts governments.[75] In any event, a minister was apparently no longer required to be enmeshed in the H.E.P.C.'s administration, although the provision was as old as the H.E.P.C. itself.

Given the new government's intention, Robarts acted to ensure that there would be continued policy sensitivity for its needs in the H.E.P.C.'s decision-making. In making two appointments on December 15, 1961, the H.E.P.C. now had the full complement of six commissioners that Frost had provided for in 1955. First, Gathercole, now Deputy Minister of Economics and Development under Macaulay, was appointed first vice-chairman in place of Macaulay, who became a regular commissioner. Although Gathercole had begun his career as Economic Executive Assistant to the H.E.P.C. commissioners in 1939, his appointment to the H.E.P.C. was a first for a career civil servant. Macaulay recollects that the appointment was made by Robarts to honour a commitment to Frost. In return for his many years of service as an economic

adviser, Frost wanted Gathercole, who was only 52 years-old, to become H.E.P.C. chairman after Strike. Robarts, who had an equally high regard for Gathercole, agreed to the appointment as an interim step on the understanding, which later caused some problems, that Strike would stay in Macaulay's words for a "short time" and in Gathercole's words for a "few years."[76]

Although there was a reward element to Gathercole's appointment, it was also based on merit because of his intimate knowledge of both the Ontario government and the Ontario economy. His background made him the embodiment of the general phenomenon of 'modernization' within the government of Ontario. Having been Provincial Statistician, Provincial Economist and the first Deputy Minister of Economics since joining the government after the war, he had been, in Macaulay's opinion, the first to bring the "longer view" and "economic philosophy" to the government. Moreover, he had risen to the top not only for his knowledge of economics; he had "common sense and good judgement" as a policy adviser. In this regard, H. Ian Macdonald, who would later become Provincial Economist and Deputy Treasurer, considers Gathercole an "outstanding individual" who rose above others as a man of action who accepted difficult tasks and achieved results.[77]

On Gathercole's appointment to the H.E.P.C., Macdonald believes that the government was looking to the H.E.P.C. to be one of the "principal instruments" in shaping both the "direction and nature" of the economic growth that the government,

presumably under Gathercole's tutelage, had forecast for the 1960s. He hastens to add that the appointment was not made because the H.E.P.C. was thought to be operating ineffectively. Rather, he considers it was made because the "economic consequences" of the H.E.P.C. were so great that a person of Gathercole's stature and capabilities was needed to be a "bridge or linkage" that could tie the H.E.P.C.'s and the government's policy planning "more closely together." Although Macdonald maintains that the objective was to "coordinate" rather than "control", and thus assure that the two did not work at "cross purposes," he believes the government's purpose was also to "maximize" the economic benefits.[78]

Macaulay, for his part, does not believe Gathercole was appointed to coordinate the H.E.P.C.'s expansion with the government's economic objectives, let alone maximize the benefits. He concedes that the contention has "theoretical" merit, but believes it reads too much into the government's motivations. Having discussed economic issues with Gathercole while Minister of Economics and Development and sat with him as an H.E.P.C. commissioner until 1963, Macaulay does not recall any grand scheme behind the appointment. Moreover, he does not believe that Gathercole was successful even if there was such a scheme because the H.E.P.C., as an organization, was "controlled from the middle" rather than "managed from the top." This, in his view, made it impossible for one person to steer the H.E.P.C. He allows that Gathercole might have been appointed to

temper the H.E.P.C.'s "attitude" that what was good for it was good for Ontario, but even on this score he does not think Gathercole had much success. Gathercole, for his part, does not even concede that he was appointed to speak for the "broader societal interest," let alone coordinate the government's and the H.E.P.C.'s planning.[79]

In any event, Strike perceived Gathercole as the "government man," appointed to finish what Macaulay had started. He felt, according to his son, that "he had lived through Macaulay pretty well, but thought Gathercole was going to be too much." In McHenry's view, a continuing tension was "readily apparent" between the two men from the beginning. Having been at the first meeting of the H.E.P.C. that Gathercole attended, he recalls that Gathercole, who was unknown to most in the room, proceeded to take over the meeting much to the consternation of Strike. Tempering these views, Douglas J. Gordon, then Executive Director of Marketing and later General Manager of the H.E.P.C. under Gathercole's chairmanship, remarks that the government, in appointing Gathercole, simply acquired a "strong representative" who would ensure a "close relationship" and "better communication."[80]

The second new appointment to the H.E.P.C. made by Robarts on December 15, 1961 was William G. Davis, then a promising 32 year-old backbencher who had first been elected in 1959. Having served as Macaulay's campaign manager in the leadership race, he was appointed second vice-chairman of the H.E.P.C. on Macaulay's

recommendation. In general, Macaulay remembers being motivated by a desire to distinguish Davis from other young members. He felt Davis was a "comer" who might one day become premier, and thus wanted to get him started up the ladder as soon as possible. Notably, Macaulay also recollects that he had wanted Robarts to make Davis a minister as well, which would have facilitated his own departure from the H.E.P.C. as the statutory cabinet representative. Robarts, however, felt Davis was too young, which meant Macaulay had to remain on the H.E.P.C. at least until his Bill to remove the requirement for ministerial representation had passed. Davis' appointment to the H.E.P.C. was also significant in that it added $10,000 to his then $7,000 legislative income. Manthorpe writes that this increase "convinced [Davis] to make politics a full-time profession." Although Davis agrees this seems logical given future events, he recollects that he was not assuming anything beyond the next election. Moreover, given that he was not then well established in private practice as a lawyer, he feels he was more concerned with whether he had the financial "wherewithal" to stay in politics in the short-term without being given "a greater measure of responsibility."[81]

With Macaulay being joined on the H.E.P.C. by Gathercole and Davis, it appeared that Robarts had positioned the three government representatives to balance the O.M.E.A.'s three representatives, Strike, Kennedy and Cliff. Although this would have provided Macaulay with a great deal of influence on energy

policy as Minister of Energy Resources, he suggests no such motivation underlay the appointments. Moreover, with two cabinet portfolios, he recalls being too busy to attend all meetings. Similarly, Gathercole views the alignment of commissioners as merely a "coincidence", and adds that he was not necessarily a "government man." Moreover, he does not recall there ever being a conflict between Macaulay's wishes as minister and the commissioners' collective decision-making. Although Davis, for his part, believes that balancing the O.M.E.A.'s presence was "never an issue," he nonetheless remembers Macaulay being "quite consistent" in wanting more control over the H.E.P.C. Indeed, Macaulay would regularly remark to his young protege while pointing out the window of his Queen's Park office to the H.E.-P.C. building: "those guys think they run the government!"[82] Whether or not the government's presence on the full commission needed bolstering, it was clear that the two commissioners with government connections, Gathercole and Davis, outnumbered Strike of the O.M.E.A. on the H.E.P.C.'s executive committee.

On the role of government in the H.E.P.C.'s affairs, differing perspectives did surface between Strike and Gathercole at the O.M.E.A. conference in March 1962. Strike used his address to give an account of the motivations underlying the creation of the H.E.P.C. in 1906, arguing, somewhat mistakenly, that the "government had no desire to get into the electrical business" and that members of both parties had to be "persuaded" to pass the legislation allowing the municipalities to pay for

the "full cost" of the undertaking. In his view, this origin had produced two "rigidly-followed" principles: that the H.E.P.C. must retain all revenues and that it must, as a highly technical business, be able to operate as a "body corporate" without political interference. For his part, Gathercole, in his first appearance before the O.M.E.A., pledged his support for the "historic relationship," but with qualification. He felt that although the "H.E.P.C. should be free of political pressures on its day to day operations, ... [it] must carry out policy as laid out by the government of the day." He closed by stating that conflicts between the municipalities and the government in their "partnership in power" must be "openly and freely discussed."[83]

Following the convention two important pieces of legislation affecting the relations of the H.E.P.C., the O.M.E.A. and the government, both of which were sponsored by Macaulay, were approved on March 30, 1962. One involved a "consolidation" of the H.E.P.C.'s operation, for financial purposes, into one system. Until this time, the H.E.P.C.'s works in northern Ontario were operated as a separate system in "trust" for the government and, in the case of the Lakehead area, some municipalities. Through consolidation, the properties were "vested absolutely" in the H.E.P.C. As with the frequency standardization works, the H.E.P.C. owned the property in its own right, with the municipalities in southern Ontario unable to claim rightfully that the property was part of what they owned coop-

eratively. Macaulay recalls that this was only a "convenient side-effect," with the real purpose being to structure the H.E.P.C. in a "neater package."[84]

The other piece of legislation was the Bill Macaulay had introduced in December 1961 to remove the statutory requirement for ministers to sit as H.E.P.C. commissioners. Despite the O.M.E.A. having expressed "violent opposition" to the change at its 1962 convention, the Power Commission Act was amended as intended by Macaulay. Paradoxically, an O.M.E.A. resolution initiated by Merson had argued that the Bill altered the "settled view" of relations between the government and the H.E.P.C. when in fact it decreased the potential for government influence.[85] Afterward, Macaulay continued as both the Minister of Energy Resources and an H.E.P.C. commissioner for another year and one-half. Meantime, Gathercole stepped down as Deputy Minister of Economics and Development in 1962 to work full-time at the H.E.P.C. Davis, for his part, resigned in November 1962 on becoming Minister of Education, whereupon Robarts appointed Robert J. Boyer, a Conservative M.P.P. since 1955, as second vice-chairman.

The Re-assertion of the Municipal "Cooperative", 1963

In an effort to resist further government control over the H.E.P.C., the O.M.E.A. set out to publicize its longstanding view that the H.E.P.C. was the trustee of a municipal cooperative. In February 1963 it published The O.M.E.A. -- Ontario Hydro, The

People's Power -- and Government. Written by Dr. Robert H. Hay, Chairman of Kingston Public Utilities, this booklet contended that the cooperative foundation of the H.E.P.C. had been "obscured" with the passage of time and the increased size of its operation.[86] In Macaulay's view, the basis for the cooperative claim, municipal contributions to the H.E.P.C.'s debt sinking fund, was an "anachronism" that only meant "residual ownership" would fall to the various municipalities in the event of a trustee sale. Nonetheless, he recalls that it was a powerful contention at the time because three of the commissioners including the chairman were O.M.E.A. past-presidents and the H.E.P.C.'s annual report still detailed the extent of each municipality's sinking fund contributions. Strike, for his part, was sympathetic to the cooperative view, but did not believe it himself according to his son. He thought of the H.E.P.C. as a government corporation that had "strong input" from municipalities because they were the largest customer. Gordon recalls that he looked upon the H.E.P.C. as being "owned by the people of Ontario," with the municipalities as "strong partners in the total enterprise" of generation, transmission and distribution of power under "public authority." Gathercole, somewhat surprisingly, states that he "accepted" the cooperative contention, believing it did not "undervalue" the government's contribution.[87]

The O.M.E.A.'s booklet was accepted in the report of its new Government Legislation Committee at its March 1963 convent-

ion. Although discussion had centred on "divorcing" the H.E.P.C. from the government, the municipal cooperative contention was put to rest for the time being by Premier Robarts at the close of the convention. In an address to the delegates, the first for a premier since Drew's in 1947, Robarts acknowledged that the O.M.E.A. view had merit, but let it be known that he considered the municipalities, the H.E.P.C. and the government as "partners" in the common cause of "serving the people of Ontario." Then, after reminding the delegates that three of the six H.E.P.C. commissioners were former O.M.E.A. presidents, and stating that the government would continue to contribute, he closed by assuring the delegates that "nobody [was] going to wrest the cable from your hands." According to Gathercole, the Premier's speech served to "quiet down" the O.M.E.A.'s unrest.[88]

After meeting the O.M.E.A. challenge, the government did follow through on the Gordon Committee's recommendation that ministers not sit as H.E.P.C. commissioners. Although he was returned with the government in the September 25, 1963 election, Macaulay resigned from his two ministerial portfolios and as an H.E.P.C. commissioner on October 16th for reasons of ill health. He had been hospitalized after having collapsed in March and had not attended a meeting of the H.E.P.C. since January 23rd.[89] His replacement as Minister of Energy Resources, J.R. Simonett, was not appointed to the H.E.P.C. and a sixth commissioner was not named. In addition, after Macaulay resigned, the energy portfolio lost its high profile and status because it no longer was

connected to the Department of Economics and Development through the same minister. On reflection, Macaulay believes the Department of Energy Resources need not have ever been created. Although he initially supported the idea, without the minister being given "real responsibility" for the H.E.P.C., as was done in Quebec in 1962, he believes that what remained for the portfolio should have been handled by another minister. In fact, he personally feels that he handled energy issues, when they arose, under his more senior portfolio of Economics and Development.[90]

Conclusion

The purpose of this chapter has been to outline the tug of war that engaged the government and the O.M.E.A. over the H.E.P.C. from the 1943 election to the departure of the last minister to sit as an H.E.P.C. commissioner in 1963. From their separate bases, they struggled over the H.E.P.C.'s "institutionalized ambivalence" as both government corporation and trustee of a municipal cooperative. This dispute arose in an economic environment of a booming post-war economy where the H.E.P.C. emerged as a full-blown "facilitative" crown corporation with a crucial role in promoting industrial growth. Although the scope of the H.E.P.C. had moved beyond the municipal cooperative myth, the government nevertheless raised the ire of the O.M.E.A. by desiring the H.E.P.C. to operate with policy sensitivity for its economic objectives. With the O.M.E.A. continuing to propound

the cooperative contention, the government not only made extensive recourse to statutory enactments to authorize the industrial leadership, it also did so in an effort to weaken the O.M.E.A.'s preponderant influence in the H.E.P.C.'s affairs. In a political environment of one party dominance, it pursued the latter without resistance in the Legislature. Its only real opposition came from the O.M.E.A., whose strength lay in the resolutions it expounded at its broadly representative annual conference. In the result, the resilience of the ambivalent ownership triumphed with the tug of war ending in a draw.

With little in the way of changes in the relationship of the H.E.P.C. to the government, the government removed the requirement for ministers to sit as commissioners in 1962, ending the remaining departmental feature of the H.E.P.C.'s organization. Thus, by Macaulay's official departure in 1963, the H.E.P.C.'s "institutionalized ambivalence" was solely that of a government corporation and the trustee of a municipal cooperative. This character would be immediately challenged in the era which followed.

Endnotes: Chapter Five

1. The H.E.P.C.'s affairs were the 13th 'point' of the platform. This point also included equitable power rates, accelerated rural electrification and the removal of a special rural power charge. The Globe and Mail, July 9, 1943; Jonathan Manthorpe, Power and the Tories: Ontario Politics, 1943 to the Present (Toronto: Macmillan, 1974), p. 31; Roger Graham, Old Man Ontario: Leslie M. Frost (Toronto: University of Toronto Press, 1990), p. 90; and, Toronto Daily Star, Friday January 24, 1947, pp. 1-2.

2. Toronto Daily Star, Friday January 24, 1947, pp. 1-2.

3. O.M.E.A., Annual Meeting, 1944, pp. 24, 28-34, 40 and 44.

4. Merrill Denison, The People's Power: The Story of Ontario Hydro, (Toronto: McClelland and Stewart, 1960), p. 227; S.O. 1944 c. 51 s. 1. Robert W. Macaulay, who later became an H.E.P.C. commissioner and the Minister of Energy Resources, postulates that the council was one of a number of ideas with which the Conservatives experimented after being so long out of power, but was found to be either impractical or not needed. Interview with Mr. Robert W. Macaulay Q.C., Macaulay, Chusid and Friedman, Toronto, Ontario, July 30, 1991 (hereafter, Macaulay, July 30, 1991).

5. On the hydro side, Strike had been on the Bowmanville commission since 1932 and had organized numerous local commissions for the O.M.E.A. in eastern Ontario. He had also been Mayor of Bowmanville 1932-35. Interview with Mr. Alan Strike, Q.C., Strike, Salmers and Furlong, Barristers and Solicitors, Bowmanville, Ontario, October 18, 1991 (hereafter, Strike, October 18, 1991).

6. O.M.E.A., Annual Meeting, 1946, pp. 6.

7. Ibid., p. 23.

8. T.H. Hogg, "Hydro's Post-war Challenges," an address to the O.M.E.A. March 5, 1946 (unpublished, but enclosed in H.E.P.C., Hydro News (April 1946). Although the H.E.P.C. now transmitted power to all regions of the province, the transmission network was not fully integrated because the different private companies the H.E.P.C. had purchased operated with different frequencies. The growth in usage of domestic appliances and industrial machinery, etc., which were not transferrable from frequency to frequency, and the general economic benefits of an integrated network became the justification for standardization.

9. S.O. 1946 c. 73 s. 1.

10. Globe and Mail, January 28, 1947, p. 23.

11. Globe and Mail, January 1, 1947, p. 1 and January 28, 1947, p. 28; and, Toronto Daily Star, January 25, 1947.

12. Evening Telegram, January 24, 1947, p. 1; Globe and Mail, January 24, 1947, p. 4 and January 28, 1947, p. 23; and Toronto Daily Star, January 24, 1974, p. 1, and January 25, 1947, pp. 1-2.

13. The speech was reprinted in the Globe and Mail, January 28, 1947, p. 23 and the Toronto Daily Star, January 28, 1947, p. 10.

14. Evening Telegram, January 28, 1947; and, Globe and Mail, January 29, 1947.

15. The Toronto Daily Star, January 28, 29 and 30, 1947.

16. Globe and Mail, February 3, 1947, p. 3.

17. The agreement was reported on January 31, 1947, but its details were not made public until February 10, 1947, after the Ontario cabinet had given its approval. Globe and Mail, January 31, 1947, p. 1, and February 11, 1947, p. 1.

18. O.M.E.A., Annual Report, 1947, pp. 9-10, 23-29, 16-17 and 50; and, Strike, October 18, 1991.

19. O.M.E.A., Annual Report, 1947, p. 6-8; and, H.E.P.C., Interim Report on a Proposal to Standardize Frequency at 60 Cycles for the Southern Ontario System (Toronto: H.E.P.C., November, 1946), p. 13.

20. O.M.E.A., Annual Report, 1947, pp. 25, 32-43 and 46.

21. Challies, the minister without portfolio on the H.E.-P.C. who had been made the vice-chairman in 1946, hired Gordon on February 5, 1947. This was three weeks prior to Hogg's official resignation February 28th and Challies' own official assumption of the acting-chairmanship. Walter L. Gordon, The Hydro-Electric Power Commission of Ontario: Report Upon the Proposed Organization Plan (Toronto: J.D. Woods and Gordon Limited, March 24, 1947), p. 2.

22. Ibid. The report also recommended that two assistant general managers, one for engineering and the other for administration, be responsible to the general manager. The report went on to recommend an internal reorganization of the H.E.P.C. to meet its particular functional and regional needs and requirements. These matters were dealt with in greater detail in subsequent reports.

23. S.O. 1947 c. 78.

24. With the appointment of Saunders and Hearn, the H.E.P.C. officially had separated its operating officer and executive officer functions. Hogg had been both chairman and chief engineer, but this dual responsibility was no longer advisable because it required that the chairman be an engineer. Hearn was a long-time H.E.P.C. employee who had been executive assistant to Hogg 1942-44, and had also been seconded to many war boards and crown war industries. Denison, op. cit., pp. 235-38. The provision of the Power Commission Act which permitted the commissioners to appoint the officers had provided for the appointment of a chief engineer from the H.E.P.C.'s inception in 1906 and was amended in 1949 to add the function of general manager. S.O. 1949 c. 73. s. 1.

25. Strike, October 18, 1991; Denison, op. cit., p. 237; and, Interview with Mr. Douglas J. Gordon, formerly President of Ontario Hydro, Willowdale, Ontario, November, 15, 1991 (hereafter, Gordon, November 15, 1991). Alan Strike's recollections of his father's and the H.E.P.C.'s affairs in this period are based on regular discussions they had while commuting to Toronto together while he attended Victoria University and Osgoode Hall until 1954. Strike, October 18, 1991.

26. O.M.E.A., Annual Meeting, 1947, pp. 24 and 34; and, H.E.P.C., Summary of the Reports of the Commission's Consultants concerning the Problem of Frequency Standardization in the Southern Ontario System of the Hydro-Electric Power Commission of Ontario (Toronto: H.E.P.C., March 1, 1948), p. 15.

27. O.M.E.A., Annual Meeting, 1947, pp. 48-51; and, Interview with Mr. Gordon M. McHenry, formerly General Manager of Personnel, Ontario Hydro, Islington, Ontario, October 17, 1991 (hereafter, McHenry, October 17, 1991).

28. Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1948, pp. 8, 53 and 89-90; S.O. 1948 c. 69 s. 2; and, O.M.E.A., Minutes of the Executive Committee, April 5, 1948.

29. O.M.E.A., Special General Meeting, 1948, p. 3; Legislature of Ontario, Debates, April 16, 1948; Manthorpe, op. cit., 37; and, Denison, op. cit., p. 239. It was believed that Drew called the election to launch his bid to replace John Bracken as federal Conservative party leader (and presumably leave the provincial party on a good footing). Graham, op. cit., p. 133.

30. O.M.E.A., Special General Meeting, 1948, pp. 6, 11-15 and 20; O.M.E.A., Minutes of the Executive Committee May 3, 1948; and, O.M.E.A., Minutes of the Executive Committee June 21, 1948. The vote took hours to tabulate because of a complicated

weighted voting scheme. According to Hutcheson, the larger municipalities, who had the most votes, ensured the resolution passed. George F. Hutcheson, Head and Tales: Memoirs of George F. Hutcheson (Bracebridge: Herald-Gazette Press, 1972), pp. 218-19.

31. There was speculation that Drew wanted Saunders to be his successor and that Saunders would seek to replace him, but Saunders, according to Graham, "professed indifference" at the opportunity. Graham, op. cit., p. 145; and, Manthorpe, op. cit., p. 39.

32. S.O. 1949 c. 73. s. 2 and 7; S.O. 1950 c. 55 s. 1 and 2; R.S.O. 1937 c. 17 s. 7; and, Graham, op. cit., pp. 212-13.

33. Graham, op. cit., pp. 212-15; and, Macaulay, July 30, 1991. The salary for the three commissioners at this time, $45,000 in total, had not changed since 1924.

34. S.O. 1951 c. 67 s. 1.

35. The scheme would be copied on the American side. S.O. 1951 c. 55, The Niagara Development Act, 1951; S.O. 1951 c. 56, The Niagara Development Agreement Act, 1951; and, Denison, op. cit., pp. 244-45.

36. S.O. 1951 c. 67; H.E.P.C., Hydro News 38:3 (March 1951), p. 15; Graham, op. cit., pp. 214-15; and, H.E.P.C., Hydro News 38:7-8 (July-August 1951). pp. 18-19.

37. Graham, op. cit., pp. 214-15; Denison, op. cit., p. 246; and, Strike, October 18, 1991. The quote from Strike was related to his son in private conversation.

38. H.E.P.C., Hydro News 38:7-8 (July-August 1951), pp. 18-19; Interview with Don H. Cliff, son of D.P. Cliff and formerly of Consumer Service Department, Ontario Hydro, Burlington, Ontario, October 9, 1991 (hereafter, Cliff, October 9, 1991); and, Macaulay, July 30, 1991.

39. H.E.P.C., Hydro News 39:3 (March 1952), p. 9. There are no minutes for either the O.M.E.A. executive or annual meetings for this period.

40. Denison, op. cit., p. 246; and, Macaulay, July 30, 1991.

41. Graham, op. cit., p. 184; O.M.E.A., Annual Meeting, 1953, p. 9; and, H.E.P.C., Hydro News 39:3 (March 1952), p. 9.

42. A federal-provincial agreement was reached in late 1951, Challies ushered the construction Bill through the Legislature in early 1952, and the federal government approved the navigation works and licensed the H.E.P.C. to build the power works in cooperation with the New York State Power Authority later in 1952. The federal government alone was responsible for the navigation works, and thus no charge was made on the power development to pay for navigation works. Eventually, the Eisenhower administration decided to participate in the seaway project on May 13, 1954. Denison, op. cit., pp. 244-46 and 259; Graham, op. cit., pp. 216-18; S.O. 1952 c. 42, The International Rapids Power Development Agreement Act, 1952; and, S.O. 1952 c. 3 (2nd Session), The St. Lawrence Development Act, 1952 (No. 2). The last Act repealed S.O. 1952 c. 100, which had been passed in the first session.

43. A.E.C.L. was created by letters patent on April 1, 1952. From this point, A.E.C.L. and H.E.P.C. engineers began working as a team on commercial development of nuclear power in September 1952, the H.E.P.C. began considering participating in the construction of a commercial nuclear power station in December 1952, and A.E.C.L. agreed tc build a demonstration station at Rolphton, Ontario on June 5, 1953. Wilfrid Eggleston, Canada's Nuclear Story (Toronto and Vancouver: Clarke, Irwin and Company, 1965), pp. 308-10. See also, J.E. Hodgetts, Administering the Atom for Peace (New York: Atherton Press, 1964), pp. 107-8. Notably, the Power Commission Act was amended in 1955 to include atomic power under its definition of power. S.O. 1955 c. 62 s. 1.

44. Graham, op. cit., pp. 220-30.

45. Ibid, pp. 218-19 and 213-14.

46. A.W. Manby and Otto Holden, both long-time H.E.P.C. employees, split Hearn's former duties becoming General Manager and Chief Engineer, respectively. Denison, op. cit., pp. 249, 251 and 262; Graham, op. cit., p. 308; and, O.M.E.A., Annual Meeting, 1955, pp. 39-40.

47. O.M.E.A., Annual Meeting, 1955, p. 42; and, Legislature of Ontario, Debates, March 15, 1955.

48. S.O. 1955 c. 62 s. 2, 3, 4 and 5.

49. In 1955, Strike passed on his law practice to his son, Alan, who had recently graduated from Osgoode Hall. Strike, October 18, 1991.

50. Denison, op. cit., pp. 249-251; and, Graham, op. cit., p. 308.

51. Prior to his tenure at Massey-Ferguson, as president from 1941 to 1956 and chairman from 1949 to 1956, Duncan had been Deputy Minister of Defense for Air during 1940-1. Strike, October 18, 1991; Peter Cook, Massey on the Brink: The Story of Canada's Great Multinational and its Struggle to Survive (Toronto: Collins, 1981), p. 17; Graham, op. cit., p. 373; Denison, op. cit., p. 254; and, Douglas J. Gordon, November 15, 1991.

52. O.M.E.A., Annual Meeting, 1957, pp. 81-2; Graham, op. cit., p. 360: Denison, op. cit., pp. 254-5; Cliff, October 9, 1991; and, Strike, October 18, 1991.

53. O.M.E.A., Annual Meeting, 1957. p. 77; O.M.E.A., Annual Meeting, 1958, pp. 9, 13, 18-19, 50 and 51-56; and, H.E.P.C., Annual Report, 1958 (June 15, 1959), p. ix.

54. Macaulay, July 30, 1991; and, Correspondence with George E. Gathercole, formerly Deputy Minister of Economics 1956-62, First Vice-Chairman of the H.E.P.C. 1961-66, Chairman of the H.E.P.C. 1966-74, Chairman of Ontario Hydro 1974, May 21, 1992 (hereafter, Gathercole, May 21, 1992).

55. Graham, op. cit., p. 374; and, Gordon, November 15, 1991.

56. In his instructions to the Gordon Committee, Frost specifically mentioned the H.E.P.C. as a "case in point" of how the problems of governing have been "greatly magnified" by government being compelled to engage in various types of business. Ontario, Report of the Committee on the Organization of Government in Ontario (Hereafter, The Gordon Report) (Toronto: September 25, 1959), pp. 89 and 87; James S. Duncan, Brief to the Committee on the Organization of Government in Ontario (H.E.P.C.: Toronto, November 18, 1958), pp. 6-7. Although Macaulay is not listed as having presented a brief to the Committee, he did so, he recalls, in a public hearing at the invitation of the Committee. Macaulay, July 30, 1991; and, Interview with Mr. Robert W. Macaulay, June 23, 1992 (hereafter, Macaulay, June 23, 1992).

57. Ontario, Journals of the Legislative Assembly of Ontario, 1959 (Toronto: Queen's Printer, 1959), p. 4; Graham, op. cit., p. 375; Macaulay, July 30, 1991; and, Gathercole, May 21, 1992.

58. Strike, October 18, 1991.

59. Legislature of Ontario, Debates, February 10, 1959. At the 1960 conference of the O.M.E.A. a motion was defeated calling for Macaulay's 1959 speech on the H.E.P.C. to be printed and distributed because it contained "valuable information." Macaulay nonetheless sent copies of the speech to all municipal

hydro commissioners in the province. O.M.E.A., Annual Meeting, 1960, p. 71; and, O.M.E.A., Annual Meeting, 1961, p. 98.

60. Graham , op. cit., pp. 374-76; and, Macaulay, July 30, 1991.

61. O.M.E.A., Annual Meeting, 1959, pp. 49, 54, 66, 70 and 96.

62. The fact that the minister was not made responsible for the H.E.P.C. was not then unusual according to Macaulay. Many agencies were either formally or informally responsible through a minister, but only in terms of the delivery of an annual report. Denison, op. cit., p. 255; S.O. 1959 c. 26, An Act to establish the Department of Energy Resources; Gathercole, May 21, 1992; and, Interview with Mr. Robert W. Macaulay, October 31, 1991 (hereafter, Macaulay, October 31, 1991).

63. S.O. 1959 c. 22, The Crown Agencies Act; Ontario, Bills of Ontario, 1959; and, Macaulay, June 23, 1992.

64. Graham, op. cit., p. 316; Gathercole, May 21, 1992; Macaulay, July 30, 1991; Eggleston, op. cit., p. 327; and, Donald C. MacDonald, The Happy Warrior: Political Memoirs (Markham: Fitzhenry and Whiteside, 1988), pp. 302-3. Macaulay had written a book on the economic development potential of nuclear power, A Layman's Guide to Nuclear Power, in 1959, and would write a second, The World of Energy, in 1961. Notably, the decision to proceed with a commercial nuclear power station at Douglas Point, Ontario was made before the demonstration station at Rolphton, Ontario was completed. See, G. Bruce Doern, Government Intervention in the Canadian Nuclear Industry (Montreal: The Institute for Research on Public Policy, 1980), p. 108.

65. Gordon Report, op. cit., pp. 80-81. Notably, the Gordon report made the general recommendation that departments of government be consolidated in number and balanced in terms of size and responsibility, which was the opposite of the direction the government followed in the creation of the Department of Energy Resources. Ibid., p. 38.

66. Macaulay, July 30, 1991.

67. Macaulay, July 30, 1991; and, Douglas J. Gordon, November 15, 1991.

68. S.O. 1960 c. 30, The Energy Act, 1960; S.O. 1960 c. 73, The Ontario Energy Board Act, 1960; and, S.O. 1958 c. 71 s. 1, The Ontario Fuel Board Amendment Act, 1958.

69. Ontario, Interim Report of the Select Committee of the House to Examine into and Study the Administrative and Executive Problems of the Government of Ontario (Toronto: November 17, 1960), pp. 5-6 and 15. A second interim report was delivered on March 19, 1962, but no recommendations were made regarding the H.E.P.C. There was no final report before the Committee was dissolved with the 1963 election.

70. Ontario, Bills of Ontario, 1960-61; Legislature of Ontario, Debates (March 28, 1961), pp. 2217-49; and, O.M.E.A., Annual Meeting, 1961, pp. 8-9 and 59-63.

71. O.M.E.A., Annual Meeting, 1961, pp. 97-99; and, Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1960-61, pp. 74 and 149.

72. O.M.E.A., Annual Meeting, 1961, pp. 75-77.

73. Strike, October 18, 1991; Cliff, October 9, 1991; Macaulay, June 23, 1992; and, Gathercole, May 21, 1992.

74. Macaulay, June 23, 1992; Interview with Mr. William G. Davis, Q.C., formerly Premier of Ontario, August 17, 1992 (hereafter, Davis, August 17, 1992); Allan K. McDougall, John P. Robarts: His Life and Government (Toronto: University of Toronto Press, 1986), pp. 70-71 and 77; and, Graham, op. cit., p. 401.

75. Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1961-62, p. 29; Macaulay, July 30, 1991; and, Macaulay, October 31, 1991.

76. Macaulay, July 31, 1991; Macaulay, June 23, 1992; and, Gathercole, May 21, 1992.

77. Macaulay, June 23, 1992; and, Interview with Mr. H. Ian Macdonald, formerly Provincial Economist and Deputy Treasurer of Ontario, York University, Downsview, Ontario, June 26, 1992 (hereafter, Macdonald, June 26, 1992).

78. Macdonald, June 26, 1992.

79. Macaulay, June 23, 1992; and, Gathercole, May 21, 1992.

80. Strike, October 18, 1991; McHenry, October 17, 1992; Douglas J. Gordon, November 15, 1991; and, Interview with Mr. Douglas J. Gordon, June 26, 1992 (hereafter, Gordon, June 26, 1992).

81. Macaulay, July 30, 1991; Manthorpe, op. cit., p. 91; and, Davis, August 17, 1992.

82. Macaulay, July 30, 1991; Gathercole, May 21, 1992; and, Davis, August 17, 1992.

83. O.M.E.A., Annual Meeting, 1962, pp. 74-75 and 79.

84. S.O. 1961-2 c. 107, The Power Commission's Systems Consolidation Act, 1961-2; and, Macaulay, June 23, 1992.

85. According to Don H. Cliff, Merson was a "complicated individual," one who did not like change and likely felt Macaulay had an ulterior motive. Cliff, October 9, 1991; Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1961-62, pp. 29, 117, 120 and 123; Macaulay, July 30, 1991; and, S.O. 1961-62 c. 106 s. 2.

86. The booklet had been written under the auspices of the association's Government Legislation Committee. The Committee had wanted to present it as a brief to the Select Committee of the Legislature examining the Gordon Committee report, but when the O.M.E.A. had not been called upon by 1963 it released the brief for wide distribution. O.M.E.A., The O.M.E.A. -- Ontario Hydro, the People's Power -- and Government (Toronto: O.M.E.A., February 1963); O.M.E.A., Annual Meeting, 1963, pp. 16-17. The reference to the "people's power" in the publication's title originated in 1906, but had been given new currency with the publication of Denison's book of the same title in 1960. Denison, op. cit.

87. Macaulay, July 30, 1991; Strike, October 18, 1991; Douglas J. Gordon, November 15, 1991; and, Gathercole, May 21, 1992.

88. O.M.E.A., Annual Meeting, 1963, pp. 16-17, 104-55 and 108; and, Gathercole, May 21, 1992.

89. McDougall, op. cit., pp. 96-97; Manthorpe, op. cit., p. 64; H.E.P.C., Annual Report, 1963 (Toronto: H.E.P.C., 1964), p. vii; Correspondence with Mr. Lawrence E. Leonoff, Vice-President General Counsel and Secretary, Ontario Hydro, October 17, 1991.

90. Macaulay, July 30, 1991.

CHAPTER SIX
TAMING THE H.E.P.C. IN AN AGE OF GOVERNMENT REFORM, 1964-1973

Introduction

This chapter will examine the H.E.P.C.'s relationship with the Ontario government from a broadening of the mandate of the Department of Energy Resources in 1964 to the re-creation of the H.E.P.C. as Ontario Hydro in 1973. The broad theme of this era was revamping the H.E.P.C. in the image of a modern crown corporation with greater governmental supervision of its affairs. Although this occurred alongside extensive governmental reform, it involved a long and arduous process that required considerable political will on the part of the government. The difficulty was that reform renewed the tug of war between the government and the O.M.E.A. over the H.E.P.C.'s "institutionalized ambivalence" as both government corporation and trustee of a municipal cooperative. Despite this struggle ensuring that the ambivalence was only attenuated rather than brought to an end, the government succeeded in implementing the corporate structure and supplanting the informality of its relations with the H.E.P.C. with more formal relations with Ontario Hydro.

The changing role of the H.E.P.C. in the economy provided the stimulus for the government to align the existing commission structure and governmental supervision with contemporary expectations. During the 1964-73 period, the character of the H.E.P.C. had been altered noticeably on two interrelated fronts. First, it was transformed from a "first-generation" to a "second-generation" crown corporation. Whereas from the 1920s to the

1960s it had represented a nationalization of a whole sector of the economy to provide a basic service, by the 1970s it would become an instrument of counter-cyclical economic policy. Second, the H.E.P.C. was further transformed from a "facilitative" to a "nationalistic" crown corporation. Where it had previously been used merely to promote economic growth, through its adoption of nuclear power on a large scale the H.E.P.C. assumed a lead role in promoting the Canadian nuclear industry and Ontario uranium over technology and resources from other jurisdictions.

With the H.E.P.C. of increased importance as an actor in the Ontario economy, the government's traditional instruments for supervising the H.E.P.C., statutory enactments and appointments, no longer served it well. Having never revamped the H.E.P.C. measurably in the past, statutes were no longer used with the regularity they had enjoyed until 1962. And with appointments, for their part, dictated by the Ferguson formula, the government's desire to appoint outsiders with experience in large corporations was frustrated. When the government outlined its intention to institute a corporate structure and improve its supervision, however, the resilience of the municipal cooperative myth rose to the challenge. Although the O.M.E.A.'s opposition to reform ensured that the statutory basis for the "institutionalized ambivalence" of the H.E.P.C.'s ownership survived unamended, the symbolic basis was nonetheless severely diminished on four counts. The introduction of a large board of

directors broke the "semi-convention" of the Ferguson formula, responsibility for the H.E.P.C. was finally assigned to a minister with portfolio for energy, external review displaced the O.M.E.A.'s self-proclaimed role as 'watchdog' over the H.E.P.C. and the H.E.P.C.'s annual report no longer detailed each municipality's equity interest.

The H.E.P.C. and the O.M.E.A., 1964-1966

The Department of Energy Resources, having never gained a role in the H.E.P.C.'s affairs, was reconstituted with a broader mandate as the Department of Energy and Resources Management on March 24, 1964. This mandate now encompassed not only energy but water resources, principally because it carried responsibility for the Ontario Water Resources Commission. The minister, J.R. Simonett, now recognized electric matters as just one of his responsibilities. This was made clear when the O.M.E.A. tested him that March on why natural gas was being promoted in public housing when electricity was "owned by the people." He responded simply that it was not his function to "promote one energy form over another."[1] The H.E.P.C. nevertheless was still the major actor in energy policy and the O.M.E.A. remained a significant lobby. There being one vacancy, three of the five commissioners -- W. Ross Strike, the chairman, Lt. Col. A.A. Kennedy and D.P. 'Bud' Cliff -- were all former O.M.E.A. presidents.

The O.M.E.A.'s strength was immediately tested in late March 1964 when a select committee studying the municipal and

related Acts cut to the heart of its existence. This Committee, chaired by Hollis Beckett, M.P.P., called for an end to elected municipal hydro commissions, with their functions to be assumed by local councils. Although neither the O.M.E.A. nor any local hydro had come before the Committee, the O.M.E.A. responded by launching a campaign to undermine this recommendation.[2] In addition, Strike, as H.E.P.C. chairman, defended the status quo as well at the March 1965 O.M.E.A. convention, noting that local distribution had not even been delegated to municipal commissions let alone councils in the creation of B.C. Hydro in 1962 or Hydro Quebec in 1963. His stance suited the H.E.P.C.'s pragmatic needs. With the H.E.P.C. having begun the largest expansion program in its history in 1964, including the Pickering nuclear station, Strike argued that provincial and municipal hydro in Ontario needed closer ties rather than the more distant ones recommended by the Beckett committee.[3]

Despite the O.M.E.A.'s protests, the Beckett Committee's fourth and final report of March 1965 created a second challenge for the O.M.E.A. by advocating "regional" or upper-tier municipal government. Although it did not specifically designate hydro as a prospective regional function, the issue would haunt the O.M.E.A. for years.[4] Only three months later on June 30th a government appointed Ottawa local government review authored by Murray V. Jones recommended regional government with hydro as both an upper-tier and council function. With other local government studies ready to be commissioned, the O.M.E.A. was

worried that Jones' recommendation would gain widespread acceptance.[5]

The Jones recommendation served to "galvanize" the O.M.E.A. into action according to Andrew Frame, who would later become its president. The association began by overhauling its organizational structure. In 1965 'Bud' Cliff, who double as an H.E.P.C. commissioner, stepped down as its part-time secretary-treasurer, having held the position since 1953 for only a small honorarium. Notably, he had run the O.M.E.A., Frame recalls, "out of a suitcase" between his private business in Dundas, Ontario and, somewhat tellingly, his office at the H.E.P.C. In his place, E.C. Nokes was hired as a full-time secretary-manager in December 1965 and a permanent office was established in the vicinity of the H.E.P.C.'s head office.[6] This change was timely because the O.M.E.A. would remain overwhelmed by the plethora of studies and reform initiatives that would affect local and provincial hydro.

Change was also in store for the H.E.P.C.'s decision-making when Robarts filled the vacancy for a commissioner which had existed since Robert W. Macaulay resigned in 1963. He diverted from the Ferguson formula by appointing Ian F. McRae, P.Eng., on February 10, 1966. Chairman aside, McRae was the first appointee since Arthur Meighen in 1931 not to have come from either of the H.E.P.C.'s two historic constituencies, the government and the O.M.E.A. McRae had recently retired as chairman of Canadian General Electric, after having founded its atomic power depart-

ment. Although he brought knowledge of the electrical and nuclear manufacturing industries to the H.E.P.C.'s decision-making, according to Douglas J. Gordon, then Assistant General Manager of Marketing of the H.E.P.C., McRae was most valued for his general corporate experience.[7]

With the H.E.P.C. needing to function like a large corporate concern and regional government coming to the fore, the implications for the notion that the H.E.P.C. was a municipal cooperative dominated the proceedings of the March 1966 O.M.E.A. convention. On the matter of corporate practices, the H.E.P.C.'s new uniform rates formula for municipal hydros, which had been implemented on January 1st with a 6 percent rate increase, was an issue of concern. Strike compared the formula's significance to frequency standardization, and it had a similar effect by removing another vestige of the H.E.P.C.'s municipal cooperative foundation. Although there had been an ever increasing pooling of costs since the 1940s according to Gordon, the new scheme replaced the general costing principle that each municipality should be charged its proportion of the H.E.P.C.'s overall costs. This principle, which was as old as the H.E.P.C. itself and had been the subject of a two-year review, had come to be considered unworkable with the integration of the transmission network and the consolidation of systems. Although the new formula was accepted, there was some sympathy for Frame's complaint that the H.E.P.C. had "railroaded" it onto the municipal hydros.[8]

On the issue of regional government, President Robert H. Hay, who had articulated the O.M.E.A.'s contention that the H.E.P.C. was the trustee of a municipal cooperative in a 1963 booklet, signalled a change in the association's focus. Rather than resist change, he called on the delegates to ensure that it "reflected" their own wishes. In this regard, he argued that hydro in Ontario had not only been taken out of the realm of private business; it had also been given autonomy from politics. In his view, the founders, wary of political interference, had intentionally established hydro, both provincially and municipally, with finances separate from government. Taking this legacy as the O.M.E.A.'s new battle cry, the convention called on the Minister of Municipal Affairs, J.W. Spooner, to reject Jones' recommendation.[9]

Gathercole and Economic Leadership, 1966-67

Having reached the age of 70, Strike stepped down as chairman on March 31, 1966 and was succeeded by First Vice-Chairman George E. Gathercole, who had been chairman designate since 1961. Gathercole remembers that Strike, by staying on longer than the two or three years anticipated by former premier Frost, was aware that he was preventing a transition of the chairmanship, although Gordon believes his staying on had more to do with liking the job than wanting to block Gathercole. Indeed, Strike considered hydro politics a "brotherhood" according to his son Alan Strike, and all agree that his "humility" and strong and

genuine human relations had been an important factor in maintaining harmony in the municipal and provincial hydro relationship. Nevertheless, Strike had come to realize that his earlier view that the H.E.P.C. only needed to get advice from the O.M.E.A. could no longer be sustained nor justified. Moreover, he recognized, his son recalls, that his self-described management philosophy of "noble despotism," which had earned him great praise in the early post-war era, was now outmoded. With a new era of public consultation on the horizon "foreign" to his modus operandi, he recognized it was time to bow out.[10] Having first been appointed a commissioner in 1944, Strike's 22 years made him the longest serving commissioner ever, three more than Adam Beck's 19 years.

With Gathercole having waited in the wings longer than anticipated, the transition in the chairmanship was not smooth. According to Dr. J.K. Reynolds, then Robarts' deputy minister, Strike had been under "great pressure" to resign after Gathercole insisted in a "high handed" manner that Robarts should act on his own and Frost's commitment to make him chairman. Gathercole, for his part, recollects having decided to take this step because Robarts, who he feels was "inclined to procrastination," was "slow to act."[11] Despite this high drama, Gathercole, now 57 years-old, had been intentionally groomed for the position as the senior government constituency representative on the H.E.P.C. since 1961. Moreover, he was skilled in policy-making and well versed in economic development issues after having been

Deputy Minister of Economics from 1955 to 1962. Although being the first senior civil servant to be appointed chairman did not rule out his being viewed as a quasi-deputy minister, his appointment, in part, also fit the pattern of chairmen in the Ferguson formula for appointments. He was a non-partisan who could ensure for the premier that policy sensitivity would be exercised in the H.E.P.C.'s decision-making.

Concerning his own appointment, Gathercole does not believe it was motivated by any specific purpose, the most obvious being to coordinate the H.E.P.C.'s growth with the government's economic objectives. Nevertheless, such explicit direction was not necessary according to H. Iar Macdonald, then Deputy Treasurer of Ontario, because Gathercole knew where the H.E.P.C. "fit" into the economy in both macro and micro senses and was its best "salesman". Thus, there was no "formalized linkage" between his office and Gathercole's, although he concedes there was "lots of consultation." He hastens to add, however, that this did not necessarily mean that Gathercole was a 'government man.' Indeed, he recalls Gathercole continually expounding that the municipalities were the "sum and substance" of the H.E.P.C. Gordon, from the staff perspective, advances the related but different view that there was "no doubt" that Gathercole was out for the H.E.P.C.'s interests. In answer to the seeming paradox of Gathercole's allegiances, Reynolds remarks that he was a "political animal" who would himself become a "public figure" who enjoyed the controversy which that status carried.[12]

With Gathercole having become chairman, Cliff replaced him as first vice-chairman and thereby renewed the O.M.E.A.'s representation on the H.E.P.C.'s executive committee. The significance of membership on this committee was not clear, however, given that it did not function as the management committee of "chief executive officers" which Frost had anticipated. Gordon recalls that by this time the executive committee did not meet separately from the weekly commission meetings, although its members worked full-time and consulted each other regularly. In accepting the position of first vice-chairman, Cliff retired from his private business.[13] Whatever the merits of his elevation, absent a sixth commissioner in place of Strike, the O.M.E.A.'s representation on the full commission was reduced from three to two.

In his first speech to the O.M.E.A. as H.E.P.C. chairman in March 1967, Gathercole used the occasion to draw attention to the positive "impact" of the H.E.P.C.'s capital spending for expansion on the Ontario economy. This focus was not well received, however, as the Power Costing Committee of the O.M.E.A., which had come into prominence with the high rate increases of the 1960s, expressed concern over the effect of expansion and inflation on rates. Although Hay, the Committee's chairman, reiterated the old refrain that increased costs could be offset by new load growth, he also proposed two resolutions which were carried. One requested that the H.E.P.C. use its financial reserve to keep rate increases in the vicinity of 2.75

percent for the next five years. The companion resolution was that local hydros expect and plan for rate increases of 2.5-3.0 percent for the same period. Although neither would reflect a realistic picture of the future, Hay's research, Frame recalls, was always accepted on faith.[14]

As for the question of local hydro reform, Gathercole stated that the "primary motivation" of both the H.E.P.C. and O.M.E.A. should be the "preservation" of autonomous local hydro rather than a "defense of the status quo." In a similar vein, O.M.E.A. president J.E. Wilson stated that the association should recognize the inevitability of reform, but "not accept change for the sake of change."[15] Gathercole's specific reference to local hydro implied that the H.E.P.C. was not opposed to upper-tier or regional hydro, and the O.M.E.A. was warming to the concept.

The Ontario Committee on Taxation, 1967-69

Although municipal government reform was expected, the H.E.P.C. and the O.M.E.A. were startled by the recommendations of the Ontario Committee on Taxation on August 30, 1967, many of which would have put upward pressure on rates. The Committee, chaired by Lancelot J. Smith, recommended that the government not guarantee the H.E.P.C.'s debt; that the H.E.P.C. be subject to all taxation; and, that the sinking fund payments by municipalities be replaced by a fixed charge (which would undermine the main statutory provision supporting the municipal cooperative

contention).[16] On the municipal side, the Smith Committee recommended that all revenue earning enterprises, including hydro, pay "full" taxes; that councils control their surpluses (the O.M.E.A. fear); that the Department of Municipal Affairs supervise their operation (replacing the H.E.P.C. for hydro); and, that regional government be initiated province-wide, although hydro was not listed as an upper-tier function.[17] As with the Beckett Committee, the O.M.E.A. had not made a submission to the Smith Committee, although the H.E.P.C. had done so to no effect.

With the Smith Committee's recommendations on hydro reflecting only a small and subsidiary portion of its study, they did not draw the O.M.E.A.'s immediate attention and were not an issue in the October 17, 1967 election which gave Robarts a second majority. By the time of the 1968 O.M.E.A. convention, however, Gathercole was openly chiding the recommendations and warning the delegates generally of the "fundamental" nature of change should they be implemented. On these criticisms, Macdonald remembers that Gathercole was too "politically sensitive and astute" to be speaking only for himself. In general, Macdonald recalls that the government did not want to see consumer costs increase, and thus did not favour the H.E.P.C. or local hydros paying "full" taxes even though this gave them an advantage over other energy producers. As for the recommendation to remove the guarantee of the H.E.P.C.'s debt, he believes it was a "non-starter" for two reasons: it went against the trend

of "closer relations" desired by the government and the investment community had warned that borrowing would be more expensive. Despite this view, Gathercole does not believe the government maintained the guarantee to ensure consultations let alone serve as a lever of control.[18]

Likely in the knowledge that the Smith Committee's recommendations would not be acted upon, the attention of the O.M.E.A. convention was focused on the more pressing issues of rate increases and regional government. On February 6, 1968, one month prior to the convention, the H.E.P.C. had instituted a 6 percent increase in municipal rates, unable to keep rates in the 2.75 range that Hay's power costing committee had recommended in 1967.[19] In explaining the increase, Gathercole stated that the H.E.P.C. faced the "burden" of a number of unfavourable "transitory" factors. Although he also argued that the "key" to keeping rates low was to build diversity into load use, and thereby increase revenue from fixed costs, he nonetheless expected 4 percent increases for at least two or three years.[20] Why Hay's calculations had been wrong went without explanation.

The second pressing issue, regional government, had been thrust on the O.M.E.A. after the Speech from the Throne on February 14, 1968 announced that it would proceed in the Ottawa area. In response, A.K. Meen, the chairman of the O.M.E.A.'s Government Legislation Committee and since 1967 an elected Conservative M.P.P., asked W. 'Darcy' McKeough, who had replaced J.W. Spooner as Minister of Municipal Affairs in 1967, what was

the government's policy on hydro for the new region. McKeough, in turn, responded on March 1st, three days before the O.M.E.A. convention, that the proposed legislation would not change "in any way" the existing arrangements. Looking back on the event, McKeough recalls still considering it logical to move hydro to the upper-tier with water and sewers, etc., but decided to put the battle off until a later date with so many others to fight.[21] In fact, when the government did link regional government with its Design for Development scheme of "regional development" in the fall of 1968,[22] McKeough did not enumerate hydro as a prospective upper-tier function.[23]

On the other recurring issue, the H.E.P.C. again increased rates on January 1, 1969 by 4.5 percent for municipalities and much higher for its direct rural and industrial customers. With demand for power continuing to rise, Gathercole was no longer just recommending that load be increased to keep rates down. He was now counting on the benefit of nuclear power to keep costs down. In the H.E.P.C.'s 1968 annual report he stated that "large-scale" nuclear plants could provide energy cheaper than fossil fuelled plants and even hydro-electric plants located in remote areas. To this end, the Douglas Point nuclear generating station was now on stream, the Pickering station was under construction, and the Bruce station had been announced in December 1968. For Gathercole, the additional allure of nuclear power was the "advancement of a new industry in Canada with broad implications for the whole national economy."[24] On his nuclear

power pronouncements, Gathercole recollects that he saw it as his role to "match" energy choices with what was good for the economy. In going nuclear, he remembers the economic spin-offs vis-a-vis fossil fuel plants as an "important determinant," and one which the government had "encouraged".[25]

In response to public scepticism of the H.E.P.C.'s expansion plans, Frame, now an O.M.E.A. vice-president, engineered mock dissent at the O.M.E.A. convention in March 1969. In a resolution which he states he knew would be quashed in the face of received wisdom, Frame meekly called on the H.E.P.C. to "consider the advisability" of slowing down the rate of expansion to a more "manageable" level to stave off continued rate increases. He recollects that his purpose was to differentiate the electric industry from other energy producers, like oil and gas, where demand could easily be controlled by restricting supply. Thus, after moving the motion, he proceeded to chide its intent. With competition still strong between energy suppliers, former president J.E. Wilson added, sardonically, that Frame's motion should have been moved by Consumers Gas and seconded by Union Gas.[26]

The other controversial issue at the 1969 O.M.E.A. convention was regional government. In response to the government's official commitment to the scheme, the O.M.E.A. executive had submitted a brief to McKeough on January 9, 1969, supporting, surprisingly, hydro being made an upper-tier function as long as hydro commissions continued to have autonomy from municipal

councils. Somewhat shocked, McKeough invited the O.M.E.A. to help establish a model for hydro that could be implemented around the province. Despite the O.M.E.A.'s overture, McKeough recollects that dispensing with elected hydro commissions was still the more important objective for him, believing that consolidation would come in time. This view, generally, was conveyed to the delegates by Meen, still chairman of the Government Legislation Committee while a government M.P.P. He reported that members of the Legislature did not favour continued independence for hydro commissions. Despite the seriousness of this message, the discussion on his report centred on whether the executive had committed the O.M.E.A. to upper-tier hydro without the consent of the membership. As part of a larger backlash against regional government, this position had some standing as Robarts, according to A.K. McDougall, instructed McKeough in May 1969 not to initiate any new regional government study commissions.[27]

The remainder of 1969 was relatively quiet, save for a number of changes to the actors in the H.E.P.C.'s relationship with the government and Robarts' decision not to create a royal commission on H.E.P.C. rates. First, Simonett resigned from cabinet June 5, 1969 and was replaced as Minister of Energy and Resources Management by George Kerr, to whom Frame of the O.M.E.A. was a friend and informal political adviser. Second, Cliff resigned from the H.E.P.C. on June 30th. His reason, publicly, was that at age 68 he felt younger people should take

over, but, privately, according to his son Don H. Cliff, he chose to bow out rather than concede to Gathercole in a financial policy dispute. Third, Boyer, the M.P.P. and commissioner, replaced Cliff as first vice-chairman and McRae replaced Boyer as second vice-chairman. Although Kennedy of the O.M.E.A. was the longest serving of any of the commissioners, the elevation of McRae, the one commissioner with corporate experience, meant the O.M.E.A. was no longer represented on the executive committee. Fourth and finally, Robarts appointed Dr. D.J. Flemming, O.M.E.A. president 1967-68, to the H.E.P.C. on October 1, 1969, after the O.M.E.A. had requested that a new representative be appointed to replace Cliff. As for a royal commission on rates, Reynolds, now Deputy Minister to Robarts and Secretary to the Cabinet, made the recommendation in November, McDougall reports, but Robarts rejected it outright as handing "ammo" to critics of the government.[28]

The Committee on Government Productivity, 1969-71

Giving it the mandate to "inquire into all matters pertaining to the management of the Government of Ontario," Premier Robarts appointed the Committee on Government Productivity (C.O.G.P.) on December 23, 1969. Chaired by John B. Cronyn, Senior Vice-President of Corporate Affairs for John Labatt Ltd., the C.O.G.P. would break down its task into three projects: cabinet decision-making, department organization, and agencies, boards and commissions (A.B.C.s). The A.B.C. project, whose focus was

to be the "organizational structure and reporting relationships best suited for the implementation of government policy," raised the question of whether the H.E.P.C.'s historic autonomy from government would be lessened or removed. While Cronyn recollects that it was "never very clearly pointed out" how far the C.O.G.P.'s mandate extended, Reynolds, a member as well, maintains that the H.E.P.C. was not intended to be included under its auspices. From the H.E.P.C.'s perspective, Gathercole maintains that he was "neutral" on the question, and, like Frame of the O.M.E.A., believed the H.E.P.C. would not be included.[29] In time, however, the C.O.G.P. would be instructed to scrutinize the H.E.P.C., while the O.M.E.A., which was preoccupied with the implementation of regional government, failed to ensure that it would escape scrutiny.

Meantime, Gathercole again proclaimed his faith in expansion in the H.E.P.C.'s 1969 annual report, stating that there was "no reason to suppose" that demand would "fall short of the long-term trend over the last fifty years." He recognized that the new challenge was to keep supply and demand in "balance", but saw the resolution of such problems in strengthened rate stabilization reserves, etc., rather than smaller scale projects. Given the "magnitude" of the expansion, he continued to promote its economic benefits, which he declared to be the spin-offs of capital spending and, more generally, the "commitment" to Ontario's "growing economy." As for its costs, he noted that public pressure for the "maintenance and improvement" of the

environment had increased "greatly" and, in particular, that the acquisition of property, which later led to an inquiry, faced "growing resistance." In response, he revealed that the H.E.P.C. had allocated "considerable" financial and staff resources to the resolution of environmental concerns. Moreover, he was now claiming that the "extension" of electricity use was beneficial to the environment because it would be a factor in the "abatement" of pollution.[30]

Despite growing public concern for the environment, the O.M.E.A. remained oblivious to the changing public attitude. At its March 1970 convention, the two lingering issues of high rate increases and municipal government reform were what again dominated debate. With the wholesale rate to municipalities having increased by 6 percent on January 1st, Gathercole, who now considered this to be holding rates "in line," put a positive face on the increase by noting that Ontario's increase was lower than that in many other provinces.[31] On municipal reform, the O.M.E.A. approved a policy statement which called, first, for local hydro to be administered by autonomous commissions that were elected rather than appointed by the council and, second, for any new boundaries to be based on "future economic conditions, economies of scale, and supply conditions."[32]

As for the make-up of the H.E.P.C., it lost the one commissioner with corporate experience when McRae died in September 1970. With his passing, McRae was not replaced as second vice-chairman, bringing the practice of having two vice-chairmen to

an end. In fact, Boyer, the first vice-chairman, was referred to thereafter only as "vice-chairman." And, with Boyer dividing his time between an increasingly active Legislature and the H.E.P.-C., only Gathercole was full-time. As a result, the executive committee of three "chief executive officers" begun in 1955 had come to an end, with Gathercole, for all intents and purposes, the C.E.O. and the other commissioners as part-time directors. And, with no new appointments at this time, the H.E.P.C. was left with only four of a possible six commissioners, with Kennedy and Flemming, both former O.M.E.A. presidents, the two besides Gathercole and Boyer. By any measure, the H.E.P.C. lacked the degree and diversity of input enjoyed by other corporations its size.

Gathercole nonetheless sought to keep the H.E.P.C. responsive to public concern, expounding in its 1970 annual report that "a 'goods' society and a good society [were] not mutually exclusive." As a backdrop, he noted that demand continued to increase and would double, as expected, within ten to twelve years despite a downturn in the economy and increased rates. In meeting this need, he stated that electric power would make the "economy more efficient and the environment cleaner and healthier." He also acknowledged, however, that the "general trend" of higher rates would be "even more apparent." The reason was that thermal power, which surpassed 50 percent of the H.E.P.C.'s capacity for the first time in 1970, had high operating costs in fossil fuel plants and faced the "problems inherent in the

introduction of prototype equipment" in nuclear plants.[33]

As a result of the persistent large annual rate increases, rate regulation surfaced as an issue during 1970-71 for various reasons. Gordon, now General Manager of the H.E.P.C., recollects that the call originated with the Niagara Basic Power Users, a lobby for large "cost sensitive" industries that had regularly been consulted on rates but did not enjoy the status of the O.M.E.A. in the rate-making process. Given that the works supplying Niagara had been well paid for over the years, this group felt its members were subsidizing expansion elsewhere in the province. With the H.E.P.C. committed to uniform rates, the group objected, Gordon recollects, to the H.E.P.C. being "judge and jury" and often made appeals directly to the cabinet. In addition to this group's complaints, Frame recollects that consumers were beginning to make comparisons with U.S. jurisdictions that had regulation and McKeough remembers that members of the Legislature were disturbed by the size of the annual increases.[34]

In any event, the call for regulation was perceived as an assault on the O.M.E.A.'s 'watch dog' role at its March 1971 convention. President D.G. Hugill argued that the call failed to recognize that the O.M.E.A.'s power costing committee kept rates "under continuous study and scrutiny." Hay, for his part, went further and suggested that the call sought to undermine the nature of the H.E.P.C. as the trustee of a municipal cooperative. In his view, the existing procedure for setting rates,

twelve interim monthly billings with a thirteenth bill for adjustments, was "an essential mark of a true cooperative." In a special symposium on the issue, A.J. Bowker ridiculed regulation as a desire for some "magical way to curb rate increases" and argued that the need was obviated by full disclosure, power at cost, and the H.E.P.C.'s supervision of the municipalities. Although he was willing to accept that "formal" public review of rates might be appropriate, he doubted, paradoxically, whether full regulation would "ensure that the customers' interests [were] kept foremost."[35]

In his address to the delegates, Gathercole tackled the regulation challenge facing the H.E.P.C. with considerable equanimity. He responded to criticism of rate increases with the refrain that rates were still lower in Ontario than in most other North American jurisdictions. On the continued promotion of sales, he added that rates would be "substantially higher" without it because of the need to spread the burden of fixed costs. In addition, he defended continued expansion, first, on the presumption that electricity was "destined to be a larger and larger share of the total energy market" in North America and, second, on the grounds that restricting its use would be "environmentally self-defeating." In closing, he gave the O.M.E.A. an indication of looming governmental reform initiatives for the H.E.P.C. After acknowledging that "freedom of action" had permitted the many "achievements" of hydro in Ontario, he nonetheless urged the O.M.E.A. to recognize that

decision-making must reflect the "broad interests of the public and the province."[36]

Task Force Hydro and the Advisory Committee on Energy, 1971

Although the O.M.E.A. had stymied almost every previous effort to revamp the H.E.P.C., it was not prepared for the changes in store after Minister of Education William G. Davis succeeded Robarts as premier on March 1, 1971. With this being the same day on which the O.M.E.A. convention began, the association's executive was unable to report, as they had when Robarts became premier in 1961, whether Davis had any intentions for the H.E.P.C. With Kerr remaining in the energy portfolio, there appeared to be no change, but before the month was over the government would signal its intention to revamp the H.E.P.C.

The portent for change first arrived when the C.O.G.P. delivered its report on cabinet decision-making on March 16, 1971. In place of the traditional departmentalized cabinet, it recommended an institutionalization of decision-making through a committee system and a formal policy process.[37] Given this direction for reform, the C.O.G.P.'s yet to be forwarded recommendations on A.B.C.s would be, in Peter Silcox's view, "essentially sceptical" of those with autonomy. The reason, simply enough, was that autonomous A.B.C.s "fragmented" authority and weakened "policy control" by the cabinet, with the implication being that they all should be subject to "centralized political and administrative control."[38]

The H.E.P.C. would, in the end, escape the confines of the C.O.G.P.'s specific recommendations, but not C.O.G.P. scrutiny. The Speech from the Throne March 30, 1971, two weeks following the recommendations on the cabinet, explicitly requested the C.O.G.P. to review the H.E.P.C.'s "function, structure, operation, financing and objectives." The C.O.G.P., in turn, established Task Force Hydro (T.F.H.) as a "semi-autonomous unit" in April.[39] The appointments to T.F.H., like C.O.G.P. itself, were by design a mix of businessmen and senior civil servants, with the H.E.P.C. and the O.M.E.A. and for that matter large power users well represented. They were: J.D. Muncaster, President of Canadian Tire Corporation as Chairman; Douglas J. Gordon, General Manager of the H.E.P.C.; Andrew Frame, now President of the O.M.E.A.; Robert B. Taylor, Vice-President of the Steel Company of Canada (a member of the Niagara Basic Power Users); Dr. J.K. Reynolds, Secretary to the Cabinet, Deputy Minister to the Premier and a C.O.G.P. member; Hugh Crothers, President of Crothers Limited; and Richard M. Dillon, Dean of Engineering, University of Western Ontario, as a T.F.H. member and its Executive Director. Notably, Reynolds, Dillon and Taylor had been friends since their days at the University of Western Ontario beginning before World War II.

Despite this rapid sequence of events in March 1971, T.F.H. had not been created as a hurried reaction to the implications of the C.O.G.P.'s recommendations for the H.E.P.C. Indeed, Cronyn recollects that Robarts had requested the C.O.G.P. to

study the H.E.P.C. in 1970, long before Davis became premier. According to Taylor, who later questioned Robarts on how T.F.H. transpired, the H.E.P.C. simply "fell out" as the main study got under way. In pursuance, Cronyn and Reynolds had paid visits to Gathercole, who was "not at all keen" on having the H.E.P.C. scrutinized according to Cronyn. The purpose of the meetings, in Reynolds' words, was to inform him "how it was going to be." Nonetheless, Cronyn, Gathercole and Reynolds all maintain that the separate study was the C.O.G.P.'s idea alone and not a "compromise". The reason was that the C.O.G.P. lacked the staff and time to study the H.E.P.C. itself. Dillon, however, believes otherwise, arguing that Gathercole used his "clout" to get a separate study. In his view, T.F.H. was created to "soothe ruffled feathers" because the H.E.P.C. was "jealously guarding its autonomy." Macdonald, who was also a C.O.G.P. member, melds the two views, recalling that the outcome was a "marriage of convenience" in that Gathercole did not want the H.E.P.C. "deemed an integral part of government" and Cronyn recognized it was "too big to fight over."[40]

Despite the political intrigue, there were sound reasons for a separate study. In addition to the H.E.P.C. not being like any other A.B.C. in terms of its size, it was different in terms of its function and history. On this score, the important consideration for the H.E.P.C., Gordon remembers, was that, unlike the departments and A.B.C.s in the main study, it was a business marked by "complexity". In Muncaster's view, the

separate study was required because a number of new issues were coming to the fore, in addition to the large "impact" of the H.E.P.C. on the overall operation of the government and its "highly specialized" nature. Macdonald, on the other hand, believes that the motivating factor, in addition to size, was the H.E.P.C.'s municipal connection rather than its science-based function.[41]

With T.F.H. being the "first step" to ensuring Ontario's energy needs, Premier Davis created the Advisory Committee on Energy (A.C.E.) as the "next step" on July 22, 1971. As distinct from T.F.H., it was mandated to "ascertain the future energy requirements and supplies of Ontario" and make recommendations towards meeting these requirements. Given apprehension over looming energy shortages and emerging debates over the limits of growth and nuclear power, Macdonald recalls that the government was aware that the future would not look like the past. For these reasons, the government felt that energy deserved a "special look" so policy making would not fall "by default" to the H.E.P.C.[42] Although this meant some overlap with T.F.H., the A.C.E.'s primary focus was the machinery of government rather than the delivery or H.E.P.C. side of the energy policy equation.

Chaired by John J. Deutsch, Principal of Queen's University, the A.C.E. had broad representation. In addition to all the major industry associations, the H.E.P.C. was directly represented by Gathercole; the government by, among others,

Reynolds and Macdonald; and, T.F.H. by Reynolds and Dillon. The Consumers' Association of Canada and Pollution Probe were also represented, but not the O.M.E.A. When Frame wrote to Davis on July 28th to object, McKeough, now Treasurer of Ontario, responded that consumers were already represented. McKeough recollects that he snubbed the O.M.E.A. "deliberately" because the government was looking for "fresh thinking," which he knew would not come from this "fossilized" group.[43]

On the heels of the appointment of T.F.H. and the A.C.E., the Department of Energy and Resources Management was collapsed into the Department of the Environment, a new portfolio created on July 23, 1971, with Kerr remaining the minister. This department was established even though the C.O.G.P. had yet to make its recommendations on department organization, but would nonetheless be consistent with the C.O.G.P.'s emphasis on fewer and larger departments. When viewed alongside the accompanying passage of the Environmental Protection Act, the government undoubtedly sought to improve its standing on environmental issues for the forthcoming election. In this vein, Reynolds remembers the change as a consolidation of related functions rather than a downgrading of energy.[44]

There were also a number of changes among the actors who articulated the H.E.P.C.'s relationship with the government in 1971. Boyer, the vice-chairman and Conservative backbencher, had resigned from the H.E.P.C. on June 30th after announcing that he would not stand for re-election. D. Arthur Evans M.P.P., who had

been a local hydro commissioner and O.M.E.A. district director on his first election in 1960, was appointed vice-chairman in his place. With Kennedy and Flemming, both past-presidents of the O.M.E.A., and Gathercole the only other commissioners, two vacancies remained. Prior to the Conservatives' election victory on October 21st, Davis appointed Lou Danis, then a vice-president of the O.M.E.A., and Roger N. Seguin, a lawyer and chairman of the Board of Governors of the University of Ottawa, as commissioners on September 8th.[45] With the appointment of Danis, who resigned from the O.M.E.A. executive on his appointment, three of the six commissioners were again former O.M.E.A. executives, and a fourth, Evans, had a strong familiarity with the association.

The H.E.P.C. as an Instrument of Economic Policy, 1971-72

With the economy in recession, the Ontario government charted a new course in its relationship with the H.E.P.C. by instructing that rate increases slated for January 1, 1972 be deferred to a later date in order to stimulate the economy. The decision was predicated, Davis recalls, on it "being in the economic interest of Ontario, which in the long run was in the economic interest of Hydro." For this reason, he places the event into the larger picture of the government's evolving capacity for economic forecasting, which he remembers indicating that the H.E.P.C. and the government should "cooperate" rather than operate in "totally separate vacuums." According to Macdonald, under whose

direction the initiative originated, the H.E.P.C. accepted its "broader" responsibility, albeit "reluctantly". Indeed, Gathercole recalls that the H.E.P.C. felt that rates should go up, and Gordon recollects that electricity costs were such a small percentage of total costs for most companies that increases would not have a pronounced negative impact on the economy. Moreover, Dillon remarks and Gathercole concedes that rates were already so low that intervention "would not have had much effect." The government recognized these factors, Macdonald maintains, but proceeded nonetheless because the rate policy was just one component of a larger, interrelated response to the poor economic climate.[46]

Although the O.M.E.A.'s cooperation on the rate deferral was not required, its opposition, which Davis recalls having been "predicted" and "civilized", consumed a great deal of his time. The problem was that rate intervention put to the test the O.M.E.A.'s contention that the H.E.P.C. was the trustee of a municipal cooperative, a view which came to be taken even more seriously in the rate-making process with the onslaught of high increases. Indeed, following the 1971 O.M.E.A. convention, where calls for regulation had been chastised, the association had published Power Costing in Ontario, written by Hay and others to improve its own members' knowledge of the 'at-cost' or cooperative rate formula. Despite having established this stake in the rate setting process, the O.M.E.A. was not consulted on the government's intentions. It was only informed after its power

costing committee had set a meeting for October 22, 1970, the day after the provincial election. With the campaign in progress, Frame was contacted by Davis' office, he reveals, after Gathercole had told Davis that "you better wise him up."[47]

Dissatisfied with what had transpired, the Power Costing Committee met with Gathercole directly on October 26, 1971 and Frame, Hay and Nokes, the secretary-manager, met with Davis on November 5th. At the latter meeting, the delegation agreed to support the government's rate intervention, but expressed the O.M.E.A.'s long held view that, irrespective of economic conditions, rates should meet costs. Although Davis acknowledged their view, Hay later reported that he also questioned "unrestricted" growth in hydro usage and "unlimited" expansion of facilities, both 'limits to growth' sentiments which surprised the O.M.E.A. according to Frame. Notably, the O.M.E.A. leaders, naving acceded to the government's policy, used the meeting to broach the subject of their association's lack of representation on the A.C.E. They informed Davis that Deutsch, the chairman, was willing to have the O.M.E.A. included, and Davis responded by appointing Hay.[48]

Although the O.M.E.A. objected to the rate intervention, what its booklet on power costing had failed to point out was that the government had always been consulted before rates were set. Indeed, Davis, reflecting back on the controversy, views the deferral as part of a "continuation of communication" between the H.E.P.C. and the government, and thus only an

"evolutionary" departure from past practice. Macdonald concedes, and Gathercole does not disagree, that in this simpler time rates were set through the nexus of the premier and chairman, although only "in a highly informal and off the record way." Although Gordon acknowledges this fact, he nonetheless views the rate deferral of 1972 as "unprecedented" because until this time the government had never exercised power of approval over rates. The O.M.E.A., for its part, knew that rate increases were monitored by the government, Frame maintains, but never challenged this practice because the increases had usually been "nominal". Dillon, on the other hand, argues that the O.M.E.A., thinking it had been "running" the H.E.P.C., was shaken by the reality of who had always determined rates.[49]

The rate deferral was followed by another indication of increasing government influence in the H.E.P.C.'s affairs after the C.O.G.P. recommended in December 1971 that there be three policy ministers "completely free" of departmental obligations. The functions of these ministers would be to develop policy through the chairmanship of a policy committee of cabinet in conjunction with related line ministers in the respective fields of resources development, social development and justice. In addition, it was suggested that line ministers should be responsible for "ministries", adding to their current responsibilities all A.B.C.s related to their departments. Davis acted on the policy minister recommendation on January 5, 1972 by appointing his past rivals for his Party's leadership other than McKeough

to the posts.[50] Regarding the H.E.P.C., Albert 'Bert' Lawrence was appointed Provincial Secretary for Resources Development with Dr. Reynolds notably as his deputy, but the H.E.P.C. was yet to be made responsible to, given the lineage of the energy portfolio, the Minister of the Environment.

On the fate of the expansion program in the recession, Gathercole himself was calling for the H.E.P.C. to be used for counter-cyclical economic policy. In its 1971 annual report, he noted that although energy growth had been moderate in comparison to years past, the construction program needed to be "vigorously" maintained because there was "no reason" to expect that growth would remain slow. In his view, he was not arguing for "unrestrained" expansion, but rather to "derive" from electricity the "maximum social benefit from the facilities to sustain Ontario's prosperity." In making these pronouncements, Macdonald remembers that Gathercole was acting on his own sense of the public good, rather than seeking to promote the government's economic objectives or the H.E.P.C.'s expansion plans. With an "intimate" knowledge of both, he remarks that Gathercole knew "intuitively" which way to go and "did not need a lot of direction."[51]

Gathercole's optimism on expansion and the success of the construction program, with Pickering having become operational in 1971, belied a larger problem faced by the H.E.P.C. In the 1971 annual report, he noted that the divergence in the H.E.P.-C.'s revenues and costs, which must have been aggravated by the

decision to defer rate increases for 1972, was a "seemingly less tractable problem." Although he explained that the deferral was needed to avoid "blunting" government economic programs, only two months would pass, Frame recalls, before Davis informed him privately at the official opening of Pickering on February 25, 1972 that the deferral had been a success and that rates would soon be increased. According to Macdonald, other factors than just the rate deferral had been responsible, and although the slump was short the recovery was "quite noticeable and marked."[52]

The H.E.P.C.'s 1971 annual report was also notable as the first not to detail each municipality's sinking fund contributions. This practice had persisted even though the statutory requirement begun in 1918 had been dropped in 1950. In adopting a corporate-style format, the annual report would only continue to list the total of these debt retirement payments on the balance sheet. It remained, however, that the detailed information on each municipality would be published thereafter in a new statistical yearbook that continued to list the contributions as "equity in the H.E.P.C."[53]

External Regulation of Rates, 1972

Although Gathercole "welcomed" the reviews by T.F.H. and the A.C.E. at the O.M.E.A. convention in late February 1972, the issue he considered most pressing was rate regulation. Its immediacy sprang from the growing criticism that the H.E.P.C.

"operated as a law unto itself, set its rates arbitrarily and was answerable to nobody." Labelling the criticism "patently absurd," Gathercole argued in rebuttal that the H.E.P.C. was "accountable" to the municipal hydros and through them to the people; that its commissioners served at the pleasure of the government; that a minister reported on it to the Legislature; and, that the government and the O.M.E.A. were "consulted and advised" on power costs and rates. Given that the above involved "continuing review," he stated there was no need for regulation, failing to recognize that there was no external review. In closing, he announced that municipal rates would increase by 8 percent on July 1st, an effective annual increase of 4 percent, although rates would not increase for direct customers until January 1, 1973. He added that a municipal increase could be expected then as well, and "for many years to come."[54]

In the Power Costing Committee's report to the convention, Hay argued that the nature of the H.E.P.C. as the trustee of a municipal cooperative was under siege. In his view, the rate deferral indicated that the cooperative principle of at-cost power had been reduced to a mere "obstacle" in the face of "overt political influence" for a "purely political exigency." In addition, he noted that the "steep" growth in the H.E.P.C.'s borrowing was leading some observers, presumably the C.O.G.P. and T.F.H., to question its autonomy from government, with the effect that the municipalities' claimed equity ownership of the H.E.P.C. was in jeopardy. Moreover, he argued that the munic-

ipalities themselves had given public criticism of the H.E.P.C. credence by "failing to realize" that the public wanted the inclusion of environmental costs in the price of power.[55]

Hay's solution to the challenge was to give the O.M.E.A.'s municipal cooperative contention new vitality. Towards this end, he proposed that a capital levy be included in the H.E.P.C.'s wholesale power rate, arguing that it would still leave electricity a "bargain" at two or three times the price. In his view, a levy had numerous selling points: it would give the H.E.P.C. freedom from the "bondage" of financial institutions and the "political pressure" from the government guarantee of debt; it would end the criticism that the H.E.P.C. received an "unfair" advantage from this guarantee; it had the potential to make regulation unnecessary because it would give the H.E.P.C. the increased flexibility to "adjust to environmental and social pressures"; and, it would "bring an end to the question of who owns Hydro." Having heard Hay's report, the convention recorded its support for a capital levy and its opposition to rate manipulation.[56]

Outside the O.M.E.A., the capital levy scheme was received with scepticism. Although T.F.H. recognized that the H.E.P.C. had a poor debt/equity ratio, Muncaster recollects that he felt the levy scheme was inappropriate, first, because it would have charged current users for future expansion and, second, because it was unnecessarily rigid by requiring legislation. He recalls as well that the "political motivation" of the scheme would not

have sat well with the financial community. From the position of Treasurer of Ontario, McKeough remembers the levy scheme as "pie in the sky," which, despite the O.M.E.A.'s rhetoric, he doubted the H.E.P.C. supported. He was nonetheless unwilling to relinquish the government guarantee of the H.E.P.C.'s debt because it was "one of the few levers" for insisting on consultation and thus was an important "control mechanism." Gathercole, for his part, recalls that the H.E.P.C. gave the levy consideration, but not in lieu of the government guarantee. The reason, Macdonald contends, was that the H.E.P.C. wanted the financial benefit of the guarantee even though it would have preferred to avoid the burden of "discussion and collaboration" with the government. Gordon recollects, however, that although the H.E.P.C. preferred to retain the guarantee, there were rumblings that it could afford to forego the guarantee and that the cost might be worth the trouble.[57]

With the O.M.E.A. supporting greater H.E.P.C. autonomy through the levy scheme, the delegates were "disturbed" by Muncaster's address to the convention in his role as T.F.H. chairman. He stated, generally, that T.F.H. favoured the H.E.P.C. becoming more "responsive" to government policy. Although the government would be expected to "articulate" policy without "interfering or intervening" in the H.E.P.C.'s day-to-day affairs, Muncaster revealed that T.F.H. was considering the H.E.P.C. for a host of roles as an instrument of government policy. The one he specifically rejected, however, was rate

manipulation to stimulate the economy. In a view similar to the O.M.E.A.'s, he stated that rates must cover total costs, including all "social and environmental" costs. Despite this basis for common agreement, the O.M.E.A. was alarmed when he also remarked that T.F.H. favoured a "rationalization" of distribution. Like regional government, this scheme would reduce the total number of local hydros and thus the strength of the association. In retrospect, Muncaster feels the O.M.E.A. likely perceived rationalization as an attempt to undermine the association.[58]

The Government Reorganization Act, 1972

Despite the O.M.E.A.'s sentiments, the H.E.P.C. fell under further government control through the Government Reorganization Act of April 1972. As a follow-up to the C.O.G.P. recommendations, the Act, besides statutorily enacting the portfolios of the policy ministers and changing all departments to "ministries", included an important change in terms of ministerial responsibility for the H.E.P.C. It amended the Power Commission Act to have the H.E.P.C.'s annual report submitted to the Minister of the Environment, where James Auld had replaced Kerr as minister on February 2nd. Notably, this was the first time ever that the H.E.P.C. was mandated by statute to report to a line minister, even though an energy portfolio (later subsumed under environment) had been created in 1959. Frame recollects that the O.M.E.A. missed this change with so much else happening and thus did not protest, but adds nevertheless that the assoc-

iation had come to accept that the energy and later environment minister, who was Frame's friend George Kerr from 1969 to 1972, was already responsible.[59]

Although making the H.E.P.C. report to the Minister of the Environment was in line with the C.O.G.P.'s "ministries" concept, this did not occur as a result of a specific or comprehensive C.O.G.P. recommendation. Indeed, Cronyn recollects that the change occurred because the "rapport was not good" between Gathercole and Davis. Although Gathercole had had direct access to Robarts, Davis wanted it made clear that the H.E.P.C. did not have "a sort of God given position in the universe." In the context of the relationship over time, Dillon speculates that Davis did not object to the "old boy network" of the premier and the chairman. He remembers nonetheless that there was a "fair amount of irritation" with the H.E.P.C. at this time and that Davis did not want to be bothered by it directly. Davis, for his part, acknowledges that the change was a "departure," but maintains it did not result because of any specific event like the rate deferral or generally to "relieve pressure" on his office. In his view, the new reporting relationship, given the need for close relations on financial and other matters, was part of a "natural evolution" that made sense to both the H.E.P.C. and the government. In a similar vein, Macdonald contends that the change was part of a larger evolutionary process designed to reduce traffic on the premier's office, although Gathercole, who remarks only that his relationship with Davis was "cordial" at

this time, does not agree.[60]

On another front of change, T.F.H.'s advocacy of a rationalization of municipal distribution received support from McKeough in the government's ongoing Design for Development program in June 1972. McKeough explained that the delivery of services in a framework of a "rational management" of resources was "virtually impossible" with over 900 municipalities in Ontario. He added that the problem was compounded by the existence of "far too many" special purpose bodies, which, despite past concessions to the O.M.E.A., included local hydro. In response, he announced that the government, rather than rely on local initiative, would "take responsibility" for municipal reform to speed up its progress. With Davis, for his part, having stated that he did not favour a "single pattern" of regional government and that reform was not necessary throughout the province, the O.M.E.A. was not worried about the implications of McKeough's view. According to Frame, the O.M.E.A. believed it to be his "hobby horse" rather than government policy.[61]

Rationalization of local hydro was only the first of many disagreements between T.F.H. and the O.M.E.A. Both sought legal opinions during the spring of 1972 on the festering issue of who owns the H.E.P.C., the government or the municipalities. According to Dillon and Frame, legal recourse was a result of an "accumulation" of tension and frustration rather than a specific response to a particular event like Muncaster's speech to the

O.M.E.A. For Frame, a member of both T.F.H. and the O.M.E.A. executive, the association was dismayed by the advance indications it had garnered of T.F.H.'s recommendations when invited to appear before T.F.H. From Dillon's perspective, the O.M.E.A. rather than the H.E.P.C. was the "real opposition" to T.F.H. The difficulty was that its leaders honestly believed that the municipalities owned the H.E.P.C. and were "incensed" when T.F.H. stated otherwise. With the H.E.P.C. having never contradicted the O.M.E.A. perception, Dillon believes that the debate and the O.M.E.A.'s stance were from "another age."[62]

The opinion received by T.F.H. was written by Blake, Cassels & Graydon. It determined that although the original and continuing contracts between the municipalities and the H.E.P.C. spoke of the latter being a "trustee" for the former, the Power Commission Act, as a result of frequency standardization and consolidation of systems, had vested "some" of its works and property in the H.E.P.C. "absolutely". Moreover, the opinion found that the sinking fund payments made by the municipalities, having never left the H.E.P.C. debt free, entitled them only to a "beneficial interest in an unascertainable portion of the H.E.P.C.'s assets." It concluded that this interest of the municipalities "did not in any way relate to a right of ownership." Nevertheless, to account for the payments, the opinion recommended that the municipalities be given "non-voting participating" shares certificates.[63]

As for the opinion received by the O.M.E.A., it was writ-

ten, surprisingly, by former Minister of Energy Resources and H.E.P.C. commissioner Robert W. Macaulay, now a partner of Thomson & Rogers. He was sought out, Frame recalls, despite his past conflicts with the O.M.E.A. and the H.E.P.C. because of his expert knowledge of the legal issues. Indeed, Dillon also consulted with him "dozens" of times while executive director of T.F.H. because he was "Mr. Energy." According to Frame, who familiarized himself thoroughly with the opinion, Macaulay came to a finding "similar" to Blake, Cassels & Graydon's that the municipalities had an interest and the H.E.P.C. owned some property outright. Not able to recall the opinion in this detail, Macaulay recollects that he told the O.M.E.A. it "did not have a leg to stand on" on the ownership issue save for the question of whether the municipalities were entitled to compensation if the government decided to dismantle the sinking fund provisions of the Power Commission Act. He reasons, in hindsight, that these provisions were a "chinese puzzle" set up only as an "illusion" to honcur the municipal contribution to the H.E.P.C.'s origin. Although Frame does nct recall this portion of the opinion, he does recollect that where Macaulay's opinion differed from that received by T.F.H. was that he went on to offer the O.M.E.A. "political advice" on how to thwart T.F.H.'s expected recommendations for increased government control. Macaulay disagrees, believing that as a legal counsel he would only have enumerated his client's alternatives, while Frame insists that Macaulay's advice was definitely on the level of

"strategy and tactics."[64]

On yet another front of change, Davis gave recognition to public complaints over the H.E.P.C.'s expansion. On June 21, 1972, he appointed Omond M. Solandt as a commissioner to inquire into the route selection for an H.E.P.C. transmission line from Nanticoke on Lake Erie to Pickering east of Toronto. Born of property rights disputes, the Solandt Commission would primarily focus on matters of linear land use, but it would also make far reaching recommendations on public consultation by the H.E.P.C.[65]

Task Force Hydro's 'Role and Place' Report, 1972

The "role and place" of the H.E.P.C. was the subject of T.F.H.'s first report, delivered on August 15, 1972. The general tenor of this report was that the H.E.P.C. should be re-established on terms comparable with other large private and public corporations and with more formal connections to the government. In this connection, its most significant recommendation was that the H.E.P.C. be "designated" a crown corporation and be renamed Ontario Hydro, as it had been known informally. The recommendation, however, was not unanimous. In a written dissent, Frame argued that the term crown corporation implied government ownership, and thereby was a derogation of the notion that the H.E.P.C. was the trustee of a municipal cooperative.[66]

Frame's dissent was, to a degree, paradoxical because the decision to recommend a crown corporation structure was made to

give the H.E.P.C. increased business autonomy from the government. In arriving at the recommendation, T.F.H. had been struck by Herbert Morrison's description of a crown corporation in Government and Parliament:

> We seek to combine the principle of public accountability, of a consciousness on the part of the undertaking that it is working for the nation and not sectional interests, with the liveliness, initiative, and considerable degree of freedom of a quick moving and progressive business enterprise.[67]

Dillon, for his part, adds that the term crown corporation was advocated to free the H.E.P.C. from political interference so it could "adopt the methods of a really slick commercial enterprise." Nonetheless, Muncaster believes that T.F.H. proffered the term, as the O.M.E.A. undoubtedly suspected, as a foundation recommendation which would "resolve a whole lot of other questions," the most contentious being ownership and control.[68]

The creation of a crown corporation involved the replacement of the six person commission with an eleven member board of directors. Unlike the at-pleasure tenure of the H.E.P.C. commissioners, T.F.H. specified tenure and categories for appointments: the chairman for a five-year term with unlimited renewal; two representatives of the O.M.E.A. selected from nominees of the association (which would formalize the practice begun by premier Ferguson in 1925) for three-year terms twice renewable; five at-large directors, chosen for their "expertise" in matters related to the H.E.P.C., with three year terms twice renewable; and two senior civil servants as representatives of the government (in lieu of the informal practice of appointing

government backbenchers) serving at-pleasure. A president, appointed at the pleasure of the board and replacing the position of general manager, was to serve as an ex officio director. Believing that the presence of civil servants would make the H.E.P.C. "much less responsive to the public than at present," Frame dissented on this provision. In hindsight, Dillon agrees it was not a good recommendation, but remembers it being offered to ensure that the board was "constantly aware" of the government's role.[69]

As for the mandate of the new corporation, T.F.H. recommended that the H.E.P.C. be "responsible" for generation, transmission and distribution of electricity in the province in "compliance" with the "overall" policy of the government. It was permitted, however, to "delegate" the distribution function to municipalities. These recommendations were made in the knowledge that they tread on some of the statutory functions assigned to local hydros under the Power Commission Act and the Public Utilities Act, but were offered on the grounds that the existing arrangements fragmented authority for decision-making on the "total delivery system." In dissent, Frame argued that the H.E.P.C.'s success was attributable in part to "local control." Reflecting back on his dissent, he now adds that the recommendation was, in effect, advising the H.E.P.C., as the "child" of the municipalities, to "overtake the parents." With Frame and the O.M.E.A. having a grandiose view of the municipal role in the H.E.P.C.'s operation, Muncaster recalls that it was very

difficult to convey that the recommendations were only intended to take stock of historically assigned responsibilities.[70]

Within the new mandate, T.F.H. recommended that the chairman work full-time, with an "outward" orientation, translating, with the board of directors, government policy into "corporate objectives and policies." The president, for his part, was to be responsible to the board for the affairs of the corporation.[71] With the Power Commission Act having specified since 1955 that the chairman and the two vice-chairmen were the "chief executive officers," the intent of this recommendation appeared to suggest that the president be the C.E.O. This would then have altered the division of labour between the executive committee or, more realistically given its inactivity, the chairman and the general manager. This division had historically been made along chief executive officer/chief operating officer lines.

In T.F.H.'s preparation of this recommendation, Dillon recollects that the government had made it "very clear" that the chairman should not be the C.E.O., irrespective of past practice. Cronyn, for his part, goes further, arguing that there was "no question" that the president was intended to be the C.E.O. with the chairman acting as a "non-executive" representative of the shareholders, meaning the government. Gordon agrees that the recommendation sought to place the "actual running" of the corporation with the president, but contrary to Cronyn believes the intent was also for the chairman to retain a larger role than

presiding at board meetings. Why the recommendation refrained from spelling out who was C.E.O., Dillon concedes, was that Gathercole "would not have seen himself in any other role" but C.E.O. and Davis was "reluctant to upset [him] any more than he was already." Gathercole, for his part, believes the recommendation was not specific because "a good deal depended on the personality of the chairman and the president."[72]

By not recommending that either the chairman or the president be C.E.O., T.F.H. had not so much backed away from controversy as decided that it was better not to make the designation. T.F.H. member Robert Taylor, leaning on his corporate experience, had explained, in essence, that designating the titles was less important than assigning the roles. In his view, the division of labour between a chairman and president was better worked out between the two actors than superimposed, with the room for flexibility used to take account of personality, age and workload. In making his case, Taylor recalls stating that an ideal division of labour had the chairman and president metaphorically standing "back-to-back", with the former looking out and the latter looking in. With T.F.H. seeking a recommendation that would receive broad acceptance rather than cause unnecessary conflict, Taylor's view was adopted, Dillon recalls, because it acknowledged the historic significance of a "strong" chairman who was "good with policy" and accommodated the desire for a "professional" in the presidency to run the corporation.[73]

The proposed division of labour between the chairman and

president was intended to enable the H.E.P.C. to respond to an increased volume of formal policy direction from government. With the chairman to provide the linkage, there were two interrelated recommendations of significance. First, T.F.H. recommended that the cabinet "give expression" to the corporation's "broad objectives and constraints" through a contract. With this general parameter advocated to enhance operational autonomy and reduce the need for ministerial supervision, the second recommendation was that government policy which was not specified in the contract be set by the Provincial Secretary for Resources Development after consultation with the board of directors. This recommendation would make the H.E.P.C.'s point of contact with the government the policy minister. Although these ministers were not intended to have line responsibilities, this recommendation and the one for a contract were offered, according to Cronyn, in lieu of the H.E.P.C. being responsible to the Minister of the Environment. The purpose was to create the "appearance" of a more distant relationship, one where the Provincial Secretary would only answer for policy and not programs.[74]

More generally, T.F.H. recommended that the H.E.P.C. was to participate "actively" in the fulfilment of government energy and environmental policy, with environmental costs included in its rates, and continue "close coordination" with the government on financial matters. However, T.F.H. did recommend that the H.E.P.C. charge the government for the cost of supporting "reg-

ional development or contra-cyclical" policies, rather than building their costs into rates. According to Muncaster, the latter was offered, in part, as a response to the rate deferral of 1972, but more generally to signal that consumers should not pay for, in the jargon of the day, "social engineering."[75]

As for the question of who owns the H.E.P.C., the government or the municipalities, T.F.H. played down the issue by sticking to the legal advice received from Blake, Cassels & Graydon. Although T.F.H. recommended that control and ownership "continue to reside" with the government, and thus not the municipalities cooperatively, it did recommend that the sinking fund contributions of the municipalities be accounted for as "equity" -- a word of some significance -- through "non-voting participating shares" redeemable only if the corporation was "wound-up". In making this concession, Dillon recollects that T.F.H. knew that the O.M.E.A. leaders would "blow their stacks" if the ownership issue was resolved definitively in the government's favour.[76]

With this parameter in mind, Dillon recalls that T.F.H. had decided to make the question of who makes policy a more important issue than ownership. In the result, the share scheme was arrived at in order to "skirt around" the contentious ownership issue and hopefully "mollify" the O.M.E.A. For example, Taylor remembers going along with the share scheme to appease the O.M.E.A. even though he felt the municipal cooperative contention was "nonsense". His reason was that the shares would be of

little or no value, first, because ownership without control meant nothing, and, second, because the H.E.P.C. was a "closed system" where equity could not be exchanged let alone command dividends.[77]

The recommendations on ownership, despite their recognition of a municipal "equity" interest, nonetheless diminished the O.M.E.A.'s longstanding claim that the H.E.P.C. was the trustee of a municipal cooperative. Surprisingly, Frame did not offer dissent, although this was one of a number of issues concerning which he was "torn" according to Muncaster. Frame himself recalls that he felt it was "impractical" for the O.M.E.A. to take a "normal" ownership role, and short of doing so the share certificate scheme gave "significant recognition" to the financial interest of the municipalities. For this stance, which the O.M.E.A. itself would refuse to accept, Dillon remarks that Frame was "no messenger boy" for the O.M.E.A.[78]

Where Frame dissented the most vigorously was on the recommendations respecting regional government, an issue which had consumed the O.M.E.A. since the Beckett report in 1964. Although the association had thought the battle for flexible implementation had been won, T.F.H. recommended otherwise. It felt, first, that local hydro should be organized uniformly as an upper-tier municipal function for economic and planning reasons, and, second, that it should be administered by the chairman and appointees of the regional council. T.F.H. advocated regional council appointees in the belief that it was too "difficult" to elect

commissioners on a regional basis and inappropriate for hydro to be administered by an elected council. Drawing attention to the lack of "consideration" for local costs and geography as well as the "tradition" of elected commissions, Frame claimed that these recommendations would "not improve" service and would likely result in higher rates.[79]

Before releasing the 'role and place' report publicly, Davis asked the O.M.E.A. for its views. In its response of September 19, 1972, the association reiterated the points of dissent made by Frame and added objections especially to the ownership and control recommendations from which Frame had not dissented. Sticking to its municipal cooperative contention, the O.M.E.A.'s argument was that 'power at cost,' the H.E.P.C.'s ostensible modus operandi, had meaning because it was in essence a scheme of "cooperative accounting." The O.M.E.A. closed by placing itself squarely with the status quo:

> The province will be better served by an organization that has its roots at the consumer level with proven experience and ability to meet the needs of the consumer and cope with required change. This is not the time to switch to a proposition that offers arbitrarily increased costs, no improvement in service and a more autocratic and remote corporate structure.[80]

Thus, the O.M.E.A. was not persuaded that the role of municipal hydro would not change a great deal as a result of T.F.H.'s recommendations.

With the O.M.E.A.'s reaction having been "predicted" according to Davis, he endorsed the crown corporation recommendation over its objections when T.F.H.'s first report was

released publicly on November 13th. He added that the new corporation would be responsible to a minister without portfolio who was a member of the resources development policy committee, rather than the policy minister as had been recommended. He did, however, reject the recommendation for civil servants to sit on the corporation's board. Although Dillon recalls that the O.M.E.A.'s opposition had been a "contributing factor," Davis recollects doing so because it offended his own sensibilities.[81]

The Solandt Commission and the Advisory Committee on Energy, 1972

The Solandt Commission delivered an interim report on the transmission line it was studying on October 31, 1972, making the "suggestion" that the H.E.P.C. should have an "open planning process." Although Solandt found no "real evidence" to suggest the H.E.P.C. sought to keep its plans secret, he did find that it had been "uncommunicative" with the public. Rather than subject its business autonomy to stricter government control, he concluded that the H.E.P.C., on its own, should "expose" its plans at an early stage to "public scrutiny." Notably, T.F.H.'s second report of December 14th would concur with Solandt by recommending an "open planning process" as well. As for the larger environmental "trade-offs" of H.E.P.C. projects, Solandt tentatively felt the government might need to create an "independent" advisory council or a body with "quasi-judicial powers."[82]

Within days of T.F.H.'s second report, the A.C.E. delivered

its report on December 19, 1972 expressing the ominous warning that "the period of seemingly unlimited abundance and cheap energy has come to a close." In its view, there was an "immediate" need for long-range policy formulation and planning capability in the Ontario government. The existing capability was considered to be "largely uncoordinated" and "entirely inadequate."[83] In a general dissent, however, Henry A. Regier, the Pollution Probe representative, objected to the A.C.E.'s "unquestioned" assumption that energy demand would continue to increase. Although his call for "alternate" demand scenarios went unheeded, Reynolds recalls that the A.C.E., of which he was a member, did what was "expected" given that it was "not a royal commission." Dillon adds, moreover, that it was Pollution Probe's role to advocate more studies rather than be "satisfied".[84]

The A.C.E.'s main recommendation was that the government should establish a ministry of energy, whose purpose it would be to develop "comprehensive and coordinated" energy policy. The A.C.E. argued that such a ministry would facilitate a "consistent policy approach" and provide for a "clearly designated" minister responsible to the Legislature, with the H.E.P.C. and the Ontario Energy Board (O.E.B.) to report to this minister. Thus, the A.C.E., despite the joint membership of Dillon and Reynolds, went in the opposite direction of T.F.H., which had recommended that the H.E.P.C. be connected to the government through the policy minister. For Reynolds, this occurred because

of different mandates and memberships, while for Dillon it stemmed from T.F.H. having an "anti-bureaucratic" attitude. As for Hay of the O.M.E.A. and Gathercole, both of whom were A.C.E. members, neither registered dissent given that the H.E.P.C. had already been made formally responsible to the Minister of the Environment. Gathercole, for his part, remarks that he had become "resigned" to increased government supervision of the H.E.P.C.[85]

Until a new energy ministry could be established, the A.C.E. called for the creation of an Ontario Energy Commission. It was to report, in the interim, to the Provincial Secretary for Resources Development, assuming the functions proposed for the new ministry and other permanent functions. The latter were the coordination of "environmental assessments" for proposed energy projects, both private and public, the regulatory function of the Ontario Energy Board with respect to the natural gas industry, and the power to "review", although not regulate, the H.E.P.C.'s rates, long-term plans, capital spending requirements and energy choices including nuclear power. Notably, the A.C.E.'s decision to recommend review rather than regulation, Dillon recalls, was advocated simply to get decision-making on rates "out of the premier's office." Thus, the recommendation for review was also an indictment of the inadequacy of the O.M.E.A.'s oversight, which, as Reynolds notes, was in conflict of interest as the principal electric lobby. Moreover, it conveyed the irony, as Dillon points out, that the O.M.E.A. had

not been the major player in the determination of rates.[86]

Hay viewed the recommendation for the Ontario Energy Commission as "authority" for full regulation. In dissent, he claimed review would either become "perfunctory" or an "intolerable bottleneck." Being an ardent "non-interventionist" according to Frame, Hay argued more generally that with one government agency scrutinizing another, there would be "bureaucratic delay, procedural complexity, diffusion of responsibility and duplication of oversight and advice to the Cabinet." Gathercole, for his part, did not join Hay in dissent, although he had opposed regulation at the 1972 O.M.E.A. convention. He recalls accepting "review" because it was a "compromise", one which Gordon remembers would be "helpful" to the H.E.P.C. and the public and "take the heat off the government."[87]

The O.M.E.A. Campaign Against T.F.H., 1973

In the aftermath of Davis' acceptance of T.F.H.'s crown corporation recommendation, the O.M.E.A. undertook a campaign to block its implementation. The O.M.E.A. executive, with past-president Frame of T.F.H. in support, encouraged its member municipalities to insert a flyer in their retail billings beginning in early January 1973. The flyer luridly contended that T.F.H. sought to subsume local hydro into "a huge, single administrative system centred at Queen's Park"; that the system would be directed "mainly by politicians and civil servants" (which was ironic because the O.M.E.A. leaders were themselves politi-

cians); and, that the purpose was to institute a "vast, profit making commercial enterprise" in place of 'power at cost,' with the government able to "incorporate 'hidden taxes' into the rate structure." The flyer closed by encouraging consumers t. write to the Premier and M.P.P.s to "oppose this 'take-over' of <u>your</u> electricity system." With extremely broad distribution in a time before billing inserts were common, the flyer had good success, bringing an onslaught of public inquiries and protests.[88]

In the fallout from the flyer, Frame, recalling that he personally received a "series of blasts" from T.F.H. members and politicians, suggests it would be an understatement to say the government was "disturbed". Believing the government "must be getting the point," he recollects that the O.M.E.A. executive, which was itself surprised by the flyer's effectiveness, took the criticism in stride. On receiving a flyer at his own home, Davis recalls finding humour in being encouraged to protest to himself, but nonetheless concedes that the O.M.E.A. campaign was "disconcerting" because the government had "traditionally had a good working relationship" with the association. Dillon feels that the O.M.E.A. honestly believed the statements made in the flyer and had not set out to mislead the public. But he recalls, indicating T.F.H.'s frustration, that the O.M.E.A. was dubbed the "electric shriners" for its antics.[89]

In response to the O.M.E.A.'s flyer, T.F.H. issued an information statement on January 10, 1973 to enable cabinet ministers and M.P.P.s to respond to the public reaction. The

flyer's criticism was labelled "negative", "misleading" and "erroneous." Moreover, T.F.H. found the flyer particularly galling because it had kept the association informed of its work and had considered the two to be in "essential agreement." Davis responded himself on January 15th by appointing McKeough, who had resigned as Treasurer in September 1972 over a conflict of interest while Minister of Municipal Affairs, as his parliamentary assistant with special responsibility for energy. Although McKeough's specified mandates were to report on how the recommendations of T.F.H. and the A.C.E. could be "integrated and expedited" and on the domestic pricing of natural gas in Canada, Davis recollects that part of his "contemplated" responsibilities was also to handle the O.M.E.A.'s opposition.[90]

In the midst of this political wrangling, T.F.H. delivered its third report on February 16, 1973, the subject of which was nuclear power. In making its recommendations, T.F.H. accepted as given that growth in demand would continue and that the H.E.P.C. would need to increase capacity, in part, with nuclear power. Within these parameters, T.F.H. made three groups of recommendations, mapping an outline for the H.E.P.C.'s anticipated needs to the year 2000. First, it called on the H.E.P.C. to standardize its use of CANDU technology, "assure" itself supplies of uranium through long-term contracts, and "ensure" supplies of heavy-water by developing its own if necessary. Second, it called on the H.E.P.C. to support and promote diffusion of the technology abroad in cooperation with A.E.C.L. to reduce overall

costs. And, third, it called for the H.E.P.C. to promote "education and information." The last was to include a "major and sustained" campaign to "improve" the public's knowledge of nuclear technology and "enhance" its appreciation of the importance of "effective exploitation of nuclear energy" for the economy of Ontario.[91]

In making the recommendations on nuclear power, T.F.H. was also making recommendations on expansion and the economic impact of energy choices. On the former, Gordon recalls that T.F.H. worked from a starting point of the H.E.P.C.'s own forecasts on demand. Although in an earlier era great credence had been placed on the historical rate of growth of 7 percent per annum, Taylor recalls that forecasters were looking ahead and still seeing the past. As for the latter, there were a number of reasons for the commitment to nuclear power. Dillon recalls that its economic impact was an "important consideration" and "very much a matter of what [was] good for Ontario." Reynolds, on the other hand, believes the dearth of other generation sources in Ontario was the motivation. Gordon, for his part, maintains that both views had prevailed and Taylor links them together with the economic nationalist view that expenditures in Canada over the life of a nuclear plant were greater than that for a fossil fuel plant.[92]

As for appointments to the H.E.P.C., the Ferguson formula took a drubbing when Lt. Col. A.A. Kennedy was encouraged to resign on January 31, 1973. He had served for 18 years since

first being appointed in 1955 while president of the O.M.E.A. T.F.H. chairman Dean Muncaster was immediately appointed in his stead. Having had no notice of Kennedy's departure, the O.M.E.-A., Frame recalls, was unable to request that its representation be renewed, let alone suggest a new nominee. The reason, Dillon maintains, was that the government had chosen to limit the O.M.-E.A. to two representatives as T.F.H. had recommended. On another level, however, McKeough reveals that Dillon had discovered while instructed to observe H.E.P.C. meetings, much to Gathercole's chagrin, that there was a lack of policy discussion. The most notorious problem was that after Gathercole would explain a matter at hand, Flemming, one of the O.M.E.A. representatives, would inhibit discussion with the standard response -- "well George, I think you have said it all." For this reason, Dillon concedes that Muncaster, with his corporate experience, was appointed to give the H.E.P.C. added "competence". He adds that the appointment was made to ensure that there would be no "drifting" before T.F.H.'s recommendations could be implemented, and Muncaster agrees that he was appointed to "aid" this process. From the O.M.E.A.'s standpoint, Frame remembers that the association was less concerned about its diminished influence than with the prospect that it might not be included on the new Ontario Hydro board of directors.[93]

The O.M.E.A. Convention, 1973

At the O.M.E.A. convention in early March 1973, T.F.H.'s 'role

and place' report dominated discussion. As an indication of the O.M.E.A.'s still defiant mood, President A. McGugan stated that while some T.F.H. recommendations were "changes for the better," others would "serve the public no better and probably not as well." He was careful not to lay blame on Frame, who he felt had "championed" the municipal cause but been "badly outnumbered." He was nonetheless optimistic that a "new, vigorous and harmonious" relationship between the "electrical system" and the government would result.[94] Arriving at an outcome satisfactory to the O.M.E.A., however, would be difficult because its objections were based on the contention that the H.E.P.C. was the trustee of a municipal cooperative rather than a government corporation. The issues of contention would be addressed before the delegates in succession by Davis, Gathercole and Muncaster.

Using some levity to break the tension in anticipation of his remarks, Davis proceeded to address the future of local and provincial hydro in light of T.F.H.'s recommendations. Notably, it was only the fourth speech ever by a premier to the association and the first since 1963. Much to the O.M.E.A.'s dismay, Davis defended T.F.H.'s ownership and control recommendations. Indeed, he specifically stated that the H.E.P.C. was an "agency" of the government and not a "cooperative" of the municipalities, although he accepted the share certificate scheme. As for the crown corporation recommendation, which he had previously accepted, he stated that it was intended only to give the H.E.P.C. a "structure to suit contemporary requirements," adding

in response to the O.M.E.A.'s billing insert that T.F.H. had not recommended a "take-over" of the municipal systems or their "financial stake" in the H.E.P.C. (refraining from calling it "equity"). Moreover, he rejected the argument that "profits" from the new corporation would be transferred to the government, stating that electricity would continue to be supplied "at cost." As for T.F.H.'s expected recommendations, Davis revealed that he favoured rate "review", although not regulation, and possibly an "environmental review board," as Solandt and the A.C.E. had recommended.[95]

Despite his support for the ownership and control recommendations, Davis did make some concessions to the O.M.E.A.'s view. First, he repeated his rejection of T.F.H.'s recommendation that civil servants be appointed to the board of the proposed corporation. Second, he rejected the recommendation that local hydro should uniformly be a regional government function, favouring, instead, a case-by-case determination. Third, he supported the continued election of hydro commissioners, as long as there was statutory flexibility to appoint them where appropriate. Regarding the regional government concessions, while Dillon recalls them as a "trade-off" for the ownership and control recommendations, Davis does not agree that he was seeking to "soften" one set of recommendations by rejecting the others. In assessing what would be "acceptable and workable" out of what T.F.H. thought to be the "right structure," he recollects that he simply "had not settled in [his] own

mind that regionalization was necessarily the best way to go." Indeed, he had stated as much in Design for Development in June 1972.[96]

Whether or not Davis had sought to appease the O.M.E.A., his concessions had little effect since he was "torn to pieces," much to the astonishment of the head table guests, in the customary thank you address given by Gordon Robertson. Although Robertson, according to Frame, was a "good friend" of Liberal Leader Robert Nixon, only Gathercole believes he was acting as a partisan. Frame explains the mishap as a result of poor communication, with Robertson, who was reading a prepared text, not having been informed that Davis would offer concessions. Davis' recollection, however, was that Robertson had been the appointed "spokesperson" for the association, making the prepared remarks even though he "did not totally agree with what he was saying." According to McKeough, the whole affair of the O.M.E.A.'s objections to reform was troubling for Davis because he felt an "affinity" with the association being himself a former H.E.P.C. commissioner.[97]

When Gathercole took the podium following Robertson's comments, he encouraged the delegates to recognize that T.F.H.'s recommendations were a "serious and genuine effort to strengthen Hydro." In the remainder of his speech, he addressed the public relations challenge that the H.E.P.C. and, by association, the municipalities faced. He stated that despite the H.E.P.C.'s best efforts to the contrary, it was perceived as "remote, imper-

sonal, monolithic and indifferent." His hope was that making a commitment to "open planning," as Solandt and T.F.H. had recommended, would improve matters, but he recognized that the efforts could very well be "self-defeating".[99]

With the delegates not appeased by Gathercole's speech, Muncaster took the podium to take questions from a seething floor.[99] Among the generally hostile questions he was asked, the most noteworthy dealt with who owned the H.E.P.C. and with representation for the O.M.E.A. on the proposed board of directors. On the former, the designation of the H.E.P.C. as a crown corporation was objected to because it "denoted" ownership by government when the municipalities paid the H.E.P.C.'s debts. Muncaster responded that the true test of ownership was who "calls the shot," which left him no doubt that ownership was "vested" with the government. He added, bluntly, that the municipalities had only paid for "some" of the debts, not all, to which fellow T.F.H. member Robert Taylor added that T.F.H. had recommended that the municipal stake in the H.E.P.C. be made more "explicit" through the share scheme. Similarly, on the O.M.E.A. being limited to just two of the eleven directors, Muncaster responded that directors serve the corporation's interests rather than their own. He added that it would be up to the O.M.E.A. representatives to convince the other directors of the municipal case.[100]

Reflecting on the O.M.E.A.'s actions, Reynolds believes it was fighting a desperate battle to retain its influence. Frame,

on the other hand, believes that the O.M.E.A.'s resistance to change existed because T.F.H.'s ownership and control recommendations "were not well explained." As for the assault on Muncaster, while Taylor, from the podium, recalls it reflecting the views of the majority, Frame from the floor recollects it as coming from a vocal minority. Although many delegates were familiar with modern corporate organization, Frame feels that those from "small municipalities, small business and rural areas" were sceptical of Muncaster, viewing him as a "high corporate financier." Muncaster agrees that the moderates, however numerous, were not vocal, but contends that a large number of delegates, including many of the executive, felt they were being "sold down the river." In any event, a majority of delegates sought to reverse the tide towards the creation of a crown corporation in the resolutions session which followed. The O.M.E.A. again endorsed the principle of a capital levy as a means to decrease government influence and called for half of the proposed corporation's directors to be appointed from O.M.E.A. nominees.[101]

Following the convention, in an unlikely turn of events, the O.M.E.A.'s distaste for the term "crown corporation" received support in the C.O.G.P.'s belated agency recommendations, delivered in March 1973. The C.O.G.P. recommended that all commercial ventures of government simply be called "corporations". This effectively vetoed T.F.H.'s recommendation that the H.E.P.C. be designated a crown corporation.[102]

The McKeough Report and T.F.H.'s Report of Finances, 1973

The advice of T.F.H., the Solandt Commission, the A.C.E. and the C.O.G.P. having been received, the Speech from the Throne on March 20, 1973 announced that "new policy initiatives establishing agencies for energy may be expected as well as changes in the role and place of the H.E.P.C."[103] To facilitate this end, McKeough, as parliamentary assistant to the premier, submitted an interim report to Davis on April 2, 1973, outlining "an administrative and reporting structure" for energy matters in the government of Ontario. In essence, his main recommendations followed those of T.F.H. rather than the A.C.E. Although Muncaster remembers McKeough's recommendations as a "surprise", notable among those who advised McKeough were Dillon, still executive director of T.F.H., and Robert W. Macaulay, who had been dismayed by his experience as Minister of Energy Resources from 1959 to 1963.[104]

In following T.F.H.'s model, McKeough recommended, first, that an "energy secretariat" be established under the Provincial Secretary for Resources Development. The secretariat was thought to be preferable to the A.C.E.'s call for an energy ministry because it would elevate energy policy to an "overall" level for the line ministers on the resources development policy committee of cabinet and because no operating programs were required. On reflection, McKeough recalls that he also did not follow the A.C.E.'s model because he was rumoured to become minister of energy at this time and did not want to appear "self-serving".

McKeough's second recommendation was that the H.E.P.C. be responsible to the Provincial Secretary rather than to a line minister in the policy field so as not to leave "potential for conflict" between ministers. Recognizing that he was advocating a quasi-line responsibility for a policy minister, McKeough cleared the "breach" with C.O.G.P. chairman John B. Cronyn on the basis that it was better than creating a new ministry and would give the policy minister, whose function was not clear, added purpose. Third, McKeough recommended that the O.E.B.'s regulatory role for the natural gas industry be expanded to include "review" of the H.E.P.C.'s rates, with the O.E.B. also to be made responsible to the Provincial Secretary. His reason, he recalls, was that "public outcry" demanded there at least be "outside review."[105]

With McKeough's report under consideration, T.F.H. delivered its fourth report, the subject of which was financial policy and rates, on April 11, 1973. Although T.F.H. found no "useful" purpose would be served by abandoning the government guarantee of the H.E.P.C.'s debt, its other recommendations involved a dramatic departure. They posed many challenges to the provisions of the Power Commission Act that sustained the O.M.E.A.'s contention that the H.E.P.C. was the trustee of a municipal cooperative. Notably, Muncaster, Reynolds, Dillon, Taylor, Gordon and Frame all concede that T.F.H. was cognizant that the recommendations would undermine this contention, although none recalls the report being held over until after the

convention to avoid controversy. With T.F.H. having discussed the cooperative issue at length, with Frame an active participant, Reynolds recalls the outcome as "realistic" rather than part of a "deliberate" strategy to undermine the O.M.E.A. According to Taylor, the provisions simply impeded regularizing H.E.P.C. practices with the private sector, and for this reason Gordon, from the H.E.P.C.'s perspective, recollects that they were "passé" and Muncaster remarks that the O.M.E.A. "view of the world" no longer reflected reality.[106]

The most significant of T.F.H.'s challenges to the municipal cooperative contention affected the sinking fund payments by the municipalities that were at its heart. As a source of internally generated funds, T.F.H. found this debt retirement scheme to be "unorthodox" because, as Muncaster explains, it produced "double depreciation." Moreover, the payments, restricted by statute to a fixed percentage, had failed to generate an "adequate" rate of return. As a result, the H.E.P.C. had operated with a high debt/equity ratio, a policy which T.F.H. felt should not be continued. T.F.H. recommended instead a non-statutory municipal charge set by the board of directors for both debt retirement and system expansion. Its objective was to give the H.E.P.C. the flexibility to determine the "mix" of internally and externally acquired funds which "minimized" the overall cost of capital. With the municipal cooperative contention in jeopardy, Frame dissented on this recommendation.[107]

On the matter of rates, T.F.H. made two recommendations

that would directly undermine the O.M.E.A.'s cooperative contention. The first was to discontinue the practice of charging an interim rate for twelve months with a thirteenth bill for adjustments. Although T.F.H. recognized that the scheme had been an important "symbol of cooperation" between the O.M.E.A. and the municipalities, it reasoned that the recent "major" adjustments had come from the rate stabilization reserve. The thirteenth bill was said to be "minor" in comparison and set at the "discretion" of the H.E.P.C. From the municipal perspective, Frame felt the scheme was the foundation of a "cooperative" enterprise, and for this reason he dissented. Muncaster concedes that the scheme was "psychologically" very important to the municipalities, but believes it was nonetheless an "anachronism".[108]

The second T.F.H. recommendation of significance with respect to rates was to establish "external review," as the A.C.E. and McKeough had recommended. T.F.H. had in mind a "broadly based public forum and rate appeal mechanism," and Frame did not disagree that the "internal check and balance" of the O.M.E.A.'s power costing committee was insufficient. Notably, T.F.H. did not favour regulation, believing that this would duplicate the "function and expertise" of the proposed board of directors. In fact, with public openness the main objective, Dillon recollects that T.F.H. was "absolutely sold" that review was better than regulation. The reason was that review placed the onus on the H.E.P.C. to make its case for an increase rather than on the

regulator to provide it with a sufficient increase. This avoided the regulator becoming sympathetic with the regulated, and forced the H.E.P.C. to assume full responsibility if it disagreed with the review body. Similarly, Muncaster adds that T.F.H. favoured review to ensure "regulatory lag" did not hold up timely rate increases.[109]

With rate making brought out into the open, T.F.H. made other recommendations on "principles" to guide decision-making. It stated that there were "inherent dangers" when a crown corporation with the "commercial mandate" of the H.E.P.C. "attempts to deal directly with economic and social maladjustment." Although Dillon recalls that this position was offered in response to the government's 1972 rate intervention, other T.F.H. members do not make this direct connection. In general, T.F.H.'s view was that rates should reflect the "cost of production," which Muncaster recollects meaning that the government should be responsible for costs "beyond the basic mandate" of the H.E.P.C.[110]

The Hydro-gate Scandal and the H.E.P.C. Response to Review, 1973

While preparing to move on the statutory front, the government was rocked by a political scandal over the H.E.P.C., dubbed by the media as "Hydro-gate", in late April 1973. The issue was a lease-purchase contract the H.E.P.C. had signed in October 1972 for its new head office building, Hydro Place, now under construction. The builder was Canada Square Corporation Ltd. which

was controlled by Gerhard Moog, a personal friend of Davis. With rumour of impropriety circulating and journalists on the story, Davis tabled in the Legislature a letter from Gathercole explaining the process that led to the selection of Moog's company on April 27th. It stated that the H.E.P.C. had "sought" and "evaluated" four "competitive proposals" before deciding that the "design proposed by Canada Square was superior to the design discussed and proposed by the others." However, on April 28th the Globe and Mail, in a front-page headline story, revealed that Moog's proposal was in fact based on architectural plans for which the H.E.P.C. itself had paid nearly $1.5 million in 1970 prior to cancelling plans to own the building outright.[111]

This disclosure was followed by another front-page headline story on April 30, 1973 which further contradicted Gathercole's contentions. The latter revealed that the H.E.P.C. had made no public announcement of a competition, that the three developers other than Moog had had to approach the H.E.P.C. themselves, and that the information given to them, in contrast to Moog, was "so general as to be useless." Moreover, one of the developers, later revealed to be prominent Liberal Don Smith of Ellis-Don Ltd., alleged that a person "close" to the cabinet and "high" in the Conservative Party, later revealed to be a composite of C.O.G.P. chairman John B. Cronyn and realtor J.J. Barnicke, had told him "to keep [his] mouth shut or [he] would never get another Government job." To make matters worse, Gathercole was

quoted as still maintaining that all four companies had been given an "equal chance" to receive the contract.[112]

With Gathercole's "integrity" having been questioned and his own credibility at stake, Davis rose in the Legislature on April 30, 1973 to give notice that a select committee would investigate the Hydro Place contract. Established on May 1st with broad terms of reference under John P. MacBeth M.P.P., who had been an O.M.E.A. vice-president when first elected in 1971, it would not report until October after the legislation to revamp the H.E.P.C. had been passed in June. Davis does not recall the affair or the Committee's proceedings affecting the content or timing of the legislation "one way or the other," although James D. Fleck, who had succeeded Reynolds as deputy minister to the premier in 1972, concedes the affair was "very distracting." McKeough, who was charged with drafting the legislation, believes the incident actually spurred the government into action by making increased control over the H.E.P.C. a "good thing to do politically."[113]

In the shadow of the inquiry, Gathercole responded to all of the reviews of the H.E.P.C. in its 1972 annual report, delivered May 25, 1973. On T.F.H., he stated that a number of "organizational changes" were forthcoming. On the Solandt Commission, he revealed that H.E.P.C. would commit itself to "open planning," inviting property owners, environmentalists, ecologists and conservationists into discussions on "alternative" development plans. On the A.C.E.'s dire warning of energy

shortages, he remarked that "all indications" suggested that electricity would have an "expanded role" in meeting Ontario's energy requirements, as well as its economic "health" and environmental "quality". More specifically, he stated that the warning "underscored" how the H.E.P.C.'s nuclear program would play a "vital role" in Ontario's energy future. He predicted that nuclear power, then only producing 9 percent of the H.E.-P.C.'s output, would produce 60-70 percent by 1990.[114]

The H.E.P.C.'s expansion plan based on nuclear power was without a doubt of great significance. By all accounts, it was an "industrial development program," although not one explicitly based on a government policy of energy security. According to Gathercole, the plan had been "determined" by the H.E.P.C. with the government "cognizant" of its economic impact. Indeed, Macdonald recalls that expansion was "part of [Gathercole's] ongoing thinking and expression." Although the government was not in the lead, he adds that a "common understanding" was developing "largely, as much as anything, on the advice and impact of Gathercole." Nevertheless, Macdonald concedes that the government would in fact make its economic plans around the H.E.P.C.'s capital spending. With this degree of informality, Dillon remarks that the expansion plan was conceived in an "uncomplicated age" by a few people who "saw what the future held," adding that this could not have transpired since without full public scrutiny.[115]

Gathercole's expansion pronouncements also raised the

question of whether nuclear power was the foundation of an industrial strategy. While Macdonald thinks the term industrial strategy borders on being an "oxymoron", he nonetheless reveals that the expansion plan was part of a larger "economic strategy" set by the government. Gathercole, as the architect of expansion, believes that not only was nuclear power an "industrial strategy," it was Ontario's "mega project." Gordon and Frame, notably, do not agree that expansion was an industrial strategy, but believe that it was a "mega project." Although McKeough feels both contentions would be "overstating" the case, his reason is only that preferential purchasing was not the rule. Reynolds, for his part, argues that governments have enough trouble "enunciating major strategies, much less implementing them."[116]

With an energy crisis anticipated, Davis provided an extensive outline of government policy in the Legislature on June 7, 1973. On Gathercole's nuclear power pronouncements, Davis announced "approval in principle" for a $3.5 billion programme to expand the H.E.P.C.'s facilities. Its main elements, consistent with T.F.H.'s recommendations on nuclear power, were a second Bruce nuclear plant, the purchase of A.E.C.L's heavy water plant at Bruce and the construction of a second, and interim approval for a new nuclear plant a Darlington. The program also included, ironically, an oil fired plant at Wesleyville, which would later be mothballed because of high oil prices. On the thorny issue of rationalization of municipal

distribution, Davis announced that a committee would develop "principles and guidelines" as per his commitment to the O.M.E.A. to proceed on a case-by-case basis. On natural gas pricing, the second of McKeough's roles as parliamentary assistant, Davis called for a "national energy policy" after McKeough had advocated a domestic price for western Canadian supplies in a June 1st report. And, fulfilling the Throne Speech's promise to revamp the H.E.P.C.'s character and its relationship with the government, Davis introduced the legislation.[117]

The Power Corporation Act, 1973

Through a matrix of three statutes proclaimed on June 22, 1973, the H.E.P.C.'s character was modernized and its relationship with the government was given a new, more formal complexion. Broadly speaking, the Power Commission Amendment Act reconstituted the H.E.P.C. as Ontario Hydro with a corporate structure, as recommended by T.F.H. The Ministry of Energy Act established a new portfolio, as recommended by the A.C.E. Finally, the Ontario Energy Board Amendment Act established external review of Ontario Hydro, as recommended by both T.F.H. and the A.C.E. McKeough, the architect of the changes, was appointed Minister of Energy on the same day. When compared, however, to the volume of advice received from T.F.H., the A.C.E., the C.O.G.P. and the Solandt inquiry, the alterations to the H.E.P.C. and the revisions to its relationship with the government were relatively few in number.[118]

In explaining the paucity of amendments, Taylor, who would become chairman of Ontario Hydro, feels that the government set up the basic structure for the corporation, the ministry and external review, and left the remaining recommendations to the discretion of the new actors. Davis remarks that this view was "probably" the case, because a government, faced with a "massive" number of recommendations, would tend to act on what it could "digest" and leave the rest to "evolve". In this regard, he believes his government implemented the "basic" recommendations, believing the others that made "sense" would "flow" from them. In choosing this route, Reynolds believes Davis' speech to the O.M.E.A. had been a "trial balloon" for the statutory changes, and Dillon adds that the changes were not extensive because Davis had not been received with "deafening cheers." It was also the case, as Cronyn and Gordon for their respective parts recall, that many of the recommendations involved operational matters requiring action from the new board of directors rather than the government. Nevertheless, Fleck, from the perspective of the premier's office, remembers that the government was reluctant to make too many matters "rigid" through statutory enactments.[119]

The amendments to the Power Commission Act, including its new name the Power Corporation Act, were limited to replacing the commission structure with a corporation structure. In essence, the provisions for a six person commission, its executive committee of three "chief executive officers," and the

dormant Hydro-Electric Advisory Council (created in 1944 but never made operational) were repealed. In their stead, a 13 person board of directors was established. The board was to consist of a chairman and up to eleven other directors appointed by the cabinet, a vice-chairman selected by the board from among the eleven, and a president as an ex officio director. There were no assigned categories for appointments as T.F.H. had recommended, but limited terms, as recommended by both C.O.G.P. and T.F.H., were incorporated. The chairman was to serve for a five-year term with unlimited renewal and the directors for three-year terms, twice renewable. The president, installed by the board, was to serve at pleasure.[120]

Attendant to the corporate focus, there were three other amendments of note. The first was that the Act now directed Ontario Hydro's annual report to the new Minister of Energy rather than the Minister of the Environment. In adopting this recommendation of the A.C.E., the government rejected T.F.H.'s recommendation that the H.E.P.C. have a direct relationship with the Provincial Secretary for Resources Development. According to McKeough, the policy minister route was not considered a sufficient response to the changed energy environment, although he also recalls that Davis was "not enamoured" with the role of these ministers. Reynolds, who was then Deputy Provincial Secretary for Resources Development, feels that Davis had never really been committed to the "concept" of policy ministers, and Muncaster agrees that their role was already "falling out of

favour."[121]

The second attendant amendment was that the chairman was designated the "chief officer," although not chief executive officer, and was to continue to be full-time. Although this designation had not been made clear in T.F.H.'s original recommendation, it was included, Cronyn recalls, as a result of Gathercole's continued insistence that the chairman should be the C.E.O. According to Dillon and Muncaster, the term chief officer was a "compromise" arrived at among McKeough's circle of advisors. It was adopted with Davis' consent, McKeough remembers, in the knowledge that the term "occurred nowhere else," and "nobody knew what it meant" except that the president was going to be "more important" and the chairman was going to be the "public face." Gathercole, for his part, believes that despite the chairman's designation as "chief officer," the president was to be the C.E.O.[122]

The third amendment provided a general indemnification for the new board and directors. This provision heeded the O.M.E.A.'s objections to a subsidiary T.F.H. recommendation. T.F.H. had favoured removing the leave required from the Attorney General to launch suit against the H.E.P.C. or its commissioners, a provision as old as the H.E.P.C. The O.M.E.A. was wary of introducing the "adversary process" into the H.E.P.C.'s affairs.[123]

With the balance of the old Power Commission Act left intact, the T.F.H. recommendations most notable by their absence

were those that would have undermined the notion that the H.E.P.C. was the trustee of a municipal cooperative. Of greatest significance, Ontario Hydro was not termed a "crown" corporation, the share certificate scheme was not implemented and the statutory provisions for municipal sinking fund payments and the thirteenth bill remained intact. Moreover, the H.E.P.C.'s exemption in the Crown Agency Act, 1959, of which only the O.M.E.A. seemed to be aware, continued to apply to Ontario Hydro. Frame recollects not being surprised at all by this outcome. He viewed it as a victory for the O.M.E.A.'s campaign against T.F.H. and evidence that Davis recognized there was "no political gain" and plenty of "political flak" if he acted on the recommendations. Davis concedes that the term crown corporation might have been "avoided" deliberately, but believes that the government was less dissuaded from acting on the recommendations in question than it was persuaded that not much would be different if more of them had been implemented. Nevertheless, Dillon maintains that O.M.E.A. opposition had been a "positive factor" in the government backing off the ownership recommendations and that Davis was reluctant to take on the O.M.E.A. any more than necessary. Reynolds, moreover, remarks that Davis "preferred to avoid controversy" and was reluctant to act where he had "no assurance things were going to fly."[124]

There were only two other recommendations of significance notable by their absence in the new Power Corporation Act. First, there were no amendments relating to regional government,

although this was to be expected since Davis had rejected the recommendations at the 1973 O.M.E.A. convention. The other recommendation was the one for a contract between the government and the H.E.P.C. outlining the latter's objectives and constraints. Since it had been made in tandem with the recommendation that the policy minister be the responsible minster, it was left in limbo. Nevertheless, both Cronyn and Fleck maintain that the contract issue was left non-statutory for purposes of "flexibility", although no contract would appear without a statute.[125]

The Ministry of Energy Act and the Ontario Energy Board Act, 1973

Although the Power Corporation Act gave the Minister of Energy the single function of receiving Ontario Hydro's annual report, the Ministry of Energy Act gave the minister a larger, although ambiguous role in Ontario Hydro's affairs. The minister was given responsibility for the "administration" of the Power Corporation Act as well as the Ontario Energy Board Act. Moreover, the stated functions for the minister and objectives for his ministry were in line with the broad recommendations of the A.C.E. These functions and objectives were to "review" Ontario's long and short-term energy needs on a "continuing" basis, "advise and assist" the government on intergovernmental energy matters, and make policy recommendations, especially with regard to supply, prices, development of indigenous resources, and

research matters, including conservation and efficiency. According to McKeough, Davis chose to create the new ministry both to elevate energy issues "politically" and to bring him back into the cabinet.[126]

The broad consequence of establishing the Ministry of Energy, according to Reynolds, was that it "emasculated" the role of the Provincial Secretary for Resources Development in energy policy. While Dillon concedes that there was "no question" that McKeough was responsible for energy policy while minister, he nonetheless argues, having been the first Deputy Minister of Energy and then succeeded Reynolds as Deputy Provincial Secretary, that the result depended on who were the actors. McKeough, for his part, remembers that the energy portfolio had a "negative effect" on the policy minister, although he adds that he himself had little to do besides "talk about wind power and conservation" unless he "grossly interfered" with Ontario Hydro or the O.E.B. Indeed, Muncaster, who was an Ontario Hydro director until 1980, recalls that the corporation "dominated" if not "overwhelmed" energy ministers by its large presence in the policy field. In his view, the government might have been better off if Ontario Hydro had been linked to the policy minister, as was recommended, thereby releasing itself from responsibility for programs. Davis disagrees with this conclusion on the grounds that all ministers were "equal" and that the "principle" of ministerial responsibility would not have varied. In any event, Gordon, who would become president of Ontario Hydro,

remarks that a more direct linkage with the government resulted than T.F.H. had thought appropriate.[127]

As for the amendments to the Ontario Energy Board Act, they centred on giving the O.E.B., which already regulated the oil and natural gas industries, the power to review, although not regulate, Ontario Hydro's rates and business affairs. For the sake of consistency, the O.E.B., which had been under the purview of the energy resources portfolio beginning in 1960 before being moved to mines and northern development in 1970, was made responsible to the minister of energy. To facilitate the review of Ontario Hydro, the existing general provision of the O.E.B. Act, which allowed the cabinet to refer for "review" any energy matter, acquired two new provisions. The first affected Ontario Hydro rate increases on or after January 1, 1975. Ontario Hydro was to submit rate "proposals" for municipal and direct industrial customers to the minister eight months before the rates were to take effect, with direct rural customers not affected. The minister was then to refer the proposals to the O.E.B., which in turn was to hold public hearings and make a report or an interim report four months before the rates were to take effect. However, the O.E.B. was not given the quasi-judicial power to set rates and the minister was not given the power to arbitrate an impasse between the O.E.B. and Ontario Hydro.[128] As a result, Ontario Hydro continued to have final authority to set rates for all classes of customers.

The arrangements for review rather than regulation were

agreed upon, McKeough recalls, as a "compromise" that made the O.M.E.A. and the H.E.P.C. happy, although he himself never favoured regulation. According to Muncaster, both regulation and ministerial arbitration were rejected because it was decided that the "ongoing viability" of Ontario Hydro should be left with the board of directors. Taylor adds, moreover, that it would have been suspect for the minister, without the expertise of Ontario Hydro or the O.E.B., to arbitrate in either's favour, and it was not necessary for the minister to develop the capacity for another review. From the utility perspective, Gordon remarks that it was possible that the government did not want the power to arbitrate rate disputes, and Frame concurs that the government had sought to "isolate itself from the rate situation." In this vein, Fleck remarks that the objective was only to make the rate process "transparent" and Davis concurs that it was primarily implemented to facilitate "open discussion."[129]

By enacting only review, the government had left open the possibility of enacting full regulation at a later date if review proved to be unsatisfactory. Indeed, Macaulay recalls looking at review as only an interim arrangement, while Dillon remembers hoping this would not be the case. On this score, Dillon remarks that the absence of regulation did not diminish the power of "letting people have their day in court." Macaulay, who would serve as chairman of the O.E.B. from 1984 to 1987, counters that public and media scrutiny "has not been worth a

damn" because it has been incapable of grasping the "complicated and technical" nature of the issues. Whatever the case, Davis does not recall there ever being a plan for regulation because there was not the same need as there would have been with a "series of private utilities" and because Ontario Hydro was "non-profit". Moreover, he recollects, very tellingly, that rates would in fact be "approved" by the cabinet, although he does not recall a case where the government imposed rates. Despite the lack of a statutory provision for this practice, it existed, he concedes, because "the government ultimately had to accept responsibility."[130]

The second new provision was that the minister of energy was given the power to refer to the O.E.B. other Ontario Hydro matters. This provision specifically included the "principles and practices of power costing, rate making, financing, service reliability, system expansion and operations." This meant that the cost factors underlying rate increases were to be reviewed only at the minister's discretion. The separation of costs from rates arose, McKeough recalls, because he wanted to avoid the situation of natural gas regulation, where all cost issues were examined for every rate increase. He had in mind that the O.E.B. would be referred contentious cost issues, hopefully covering the gamut of issues in the cycle of approximately five years. He adds, moreover, that although the cost issues were to be referred at the minister's discretion, it was intended that the O.E.B. would also make requests for referrals when approp-

riate.[131]

Epilogue: Appointments, 1974

The most striking feature of the new Ontario Hydro board when it was appointed coincident with the proclamation of the Power Corporation Act on March 4, 1974 was that four of the seven T.F.H. members -- Taylor, Muncaster, Gordon and Frame -- were among the thirteen new directors. Indeed, Taylor was made Vice-Chairman and Chairman Designate and Gordon was made President. In a context where two of the remaining three T.F.H. members, Reynolds and Dillon, were respectively Deputy Provincial Secretary for Resources Development and Deputy Minister of Energy, and McKeough was Minister of Energy, the government was clearly seeking to implement T.F.H.'s remaining recommendations through appointments. Dillon remarks that appointments constituted the "implementation phase," stressing that it was important to appoint people who believed that T.F.H.'s recommendations "were the way to go." Similarly, Gordon recalls that with their head start, the former T.F.H. members were "able to move right in and perform their duties." Davis, for his part, does not recall any plan to use appointments to accomplish what had not been accomplished by statute. Rather, he believes that the former T.F.H. members could have been appointed "in their own right" but were appointed to "see through" the recommendations of T.F.H. because of their knowledge of the "intricacies" of Ontario Hydro.[132]

The remainder of the appointments to the new board reflected a mixture of broad interest and geographic representation. In addition to Gathercole serving as a transitional chairman to the end of 1974, the new directors were: D. Arthur Evans, M.P.P., formerly Vice-Chairman of the H.E.P.C., Bradford; Douglas G. Hugill, President of the O.M.E.A. 1969-70, Sault Ste. Marie (who with Frame made two O.M.E.A. representatives); Allen T. Lambert, Chairman and C.E.O., Toronto Dominion Bank, Toronto; J. Conrad Lavigne, President, Mid Canada Television System, Timmins; Philip B. Lind, Chairman, Sierra Club of Ontario, and Secretary, Rogers Cable Ltd., Toronto; (Mrs.) Jean Pigott, then President, Morrison-Lamothe Foods Ltd., Ottawa; Dr. Robert J. Uffen, Dean of Applied Science, Queen's University, Kingston; and the thirteenth, appointed later in 1974, was W. Dodge, formerly Secretary-Treasurer, Canadian Labour Congress, Ottawa. Thus, whereas the Ferguson formula had limited appointments to the H.E.P.C. to government and O.M.E.A. representatives, Ontario Hydro now had this representation plus various sectors of the business community, the environmental and labour movements, and a woman.

In accounting for the long delay between the passage of the Power Corporation Act in June 1973 and the appointments in March 1974, McKeough recalls that it took a long time to put the new board together. He nonetheless concedes as well that time was needed to "let the dust settle" on the select committee report on Hydro Place, released October 2, 1973. Davis disagrees with

the latter, although he remarks that "consideration of personalities" might have been a factor in the delay. Indeed, the delay was caused in part because Gathercole, who believes his relationship with Davis "cooled" after the Hydro Place affair and that the affair precluded him from continuing as chairman, refused to retire before he turned 65 years-old in December 1974. Believing the select committee cleared Gathercole of wrongdoing, Davis does not recall the affair causing him this "discomfort" or compromising his tenure. McKeough, however, reveals that he had "insisted" on Gathercole's departure before reversing himself and letting Gathercole stay on for the remainder of 1974. The reason was that Gathercole had said the "right things" at the select committee hearings.[133]

Conclusion

The purpose of this chapter has been to analyze the politics and outcome of the re-creation of the H.E.P.C. as Ontario Hydro in 1973 following the plethora of studies and recommendations which began in 1964. The significance of the recreation lay in the fact that it was successful even though it renewed the tug of war between the government and the O.M.E.A. over the "institutionalized ambivalence" of the H.E.P.C. as both government corporation and trustee of a municipal cooperative. Nevertheless, the O.M.E.A.'s resistance to change, by taking a reactive, defensive stance, ensured that the ambivalence was only attenuated rather than brought to an end. Despite making the H.E.-

P.C.'s corporate features paramount, the statutory basis for the municipal cooperative contention survived unamended. In the face of the government's commitment to reform, however, the O.M.E.A. was unable to provide a viable alternate vision to that of the government, leaving the symbolic basis of the municipal cooperative myth to be severely diminished on four counts. The introduction of a large board of directors broke the "semi-convention" of the Ferguson formula, a minister was finally made formally responsible for Ontario Hydro, external review replaced the O.M.E.A.'s 'watch dog' role, and Ontario Hydro's annual report no longer documented in detail each municipality's equity in the corporation. In the result, important sources for the visibility and vitality of the H.E.P.C.'s past ambivalence had been lost.

In the years since 1973, the assumptions underlying Ontario Hydro's status as a "second-generation" and a "nationalistic" crown corporation have faced a great deal of revision. In many instances, Ontario Hydro has faced criticism for adopting the attendant policies, some of which have been abandoned with a new emphasis on conservation. Nonetheless, the new corporate structure these changes ushered in have improved the workings of Ontario Hydro. This was evident in the first appointments to the new board in 1974 and has remained the case since with subsequent appointments. As for external review, the loopholes in the process would cause the government some embarrassment, particularly in the mid-1970s when first undertaken. Although they cont-

inue unamended, they appear to serve the intended purpose of public openness. Regarding the Minister of Energy's emasculated role in relation to Ontario Hydro, it persists as well, although much has depended on the stature and personality of the minister. As for the municipal cooperative provisions, although they remain unamended, the source of their articulation, the Municipal Electrical Association, does not have the same political clout as its predecessor, the O.M.E.A. What it lacks in political clout, however, it has compensated with professionalism at O.E.B. hearings. The consequence of the above may be that Ontario Hydro, on balance, has as much or more autonomy since 1973 as it did prior to 1973.

Endnotes: Chapter Six

1. Ontario, Journals of the Legislative Assembly of Ontario, 1964, pp. 6-7; Legislature of Ontario, Debates (January 30, 1964), pp. 312-14; O.M.E.A., Annual Meeting, 1964, pp. 65-6; and, O.M.E.A., Annual Meeting, 1965, p. 13.

2. Although the Public Utilities Act and the Power Commission Act were not among those specifically mandated for review, the Beckett Committee's third report recommended that the former be repealed and the latter and the Municipal Act be amended to permit municipal councils to administer local hydro. Despite the O.M.E.A.'s best efforts, Hay later stated that the Committee was not convinced that a council could not operate a utility, that elected councillors would not be as dedicated to the task as the elected or appointed commissioners, and that the existing commissioners were more than "rubber stamps" for the general managers of the local hydros. Ontario, Third Report of the Select Committee on the Municipal and Related Acts (March 1964), p. 122 and Appendices E, F, and G; and, O.M.E.A., Annual Meeting, 1965, pp. 6-7. In the campaign against the recommendation, O.M.E.A. President John McMechan protested that the Beckett Committee's terms of reference had misled the O.M.E.A.; The Mayors' and Reeves' Association requested that the recommendation be withdrawn; H.E.P.C. chairman Strike publicly supported the continued autonomy of local hydro commissions; Dr. Robert H. Hay prepared a memorandum which was presented at nine of the Beckett Committee's hearings across the province including one by McMechan at its Queen's Park hearing; and, at the 1965 O.M.E.A. conference a resolution reiterated the association's opposition to the recommendation. O.M.E.A., Annual Meeting, 1965, pp. 6-7 and 64-66; and, O.M.E.A., Annual Meeting, 1966, p. 10.

3. H.E.P.C., Annual Report, 1964, p. iv; and, O.M.E.A., Annual Meeting, 1965, pp. 77-8.

4. The Beckett Committee also recommended that "overall responsibility" for special purpose bodies be restored to elected councils. It found that the "transfer" of functions from councils to boards "fragmented" authority and "lessened" accountability to the electorate as well as weakened the coordination of municipal activities. Ontario, Fourth and Final Report of the Select Committee on the Municipal and Related Acts (March 1965), pp. 153-4, 169, 173, 176 and 185.

5. With respect to the O.M.E.A. not having made a submission to the Jones study, President Hay later stated that the association had its "complacency rudely shattered." Jones expressed the view that "all" existing special purpose bodies, save hospitals and school boards, should be "abolished". Their functions were to be transferred to the relevant committee and department of the new regional government. On hydro specif-

ically, Jones stated that he could "think of no substantial reason why this action should not be taken and many reasons why it should." Murray V. Jones, Final Report and Recommendations: Ottawa, Eastview and Carleton County Local Government Review (June 1965), pp. 36, 45, 47 and 61. Only one of the numerous local hydros affected, Nepean, had made a submission to Jones. Ibid., pp. 5 and 11. In response to Jones' recommendation, the chair of the O.M.E.A.'s Government Legislation Committee, Arthur K. Meen, expressed the association's objections to the Minister of Municipal Affairs, J.W. Spooner, that December. O.M.E.A., Annual Meeting, 1966, p. 22.

6. O.M.E.A., Annual Meeting, 1966, p. 8; H.E.P.C., Hydro News 52:12 (December 1965), pp. 16-17; and, Interview with Mr. Andrew Frame, formerly President of the O.M.E.A. 1971-72, Director of Ontario Hydro 1974-5, and Special Adviser, Utilities and Operations, Ministry of Energy, Government of Ontario 1975-92, Toronto, February 14, 1992 (hereafter, Frame, February 14, 1992).

7. H.E.P.C., Hydro News 53:4 (April 1966), p. 10; Correspondence with Mr. Lawrence E. Leonoff, Vice-President, General Counsel and Secretary, Ontario Hydro, August 24, 1992 (hereafter, Leonoff, August 24, 1992); and, Interview with Mr. Douglas J. Gordon, formerly President of Ontario Hydro, Willowdale, Ontario, November 15, 1991 (hereafter, Gordon, November 15, 1991).

8. In answer to Frame's complaint, past-president McMechan, responded that the Power Costing Committee had been aware of "all aspects of the situation" and that 90 percent of the municipalities had decided in favour of the new system. H.E.P.C., Annual Report, 1965, iv; O.M.E.A., Annual Meeting, 1966, pp. 70-75, 33-35 and 62; Gordon, November 15, 1991; and, Frame, February 14, 1992. At the 1964 O.M.E.A. conference dissention had surfaced over the costing of power for individual municipalities. A motion for a uniform rate had been withdrawn after it was announced that the H.E.P.C. had begun to undertake an "exhaustive reexamination" of costing methods in the fall of 1963. O.M.E.A, Annual Meeting, 1964, pp. 66 and 23-4.

9. The O.M.E.A.'s concern with regional government was that revenues for renewal might be siphoned off for other governmental expenses. O.M.E.A., Annual Meeting, 1966, pp. 8-12, 22, 59-60 and 62.

10. Correspondence with Mr. George E. Gathercole, formerly Chairman of Ontario Hydro, Mississauga, Ontario, August 17, 1992 (hereafter, Gathercole, August 17, 1992); Interview with Mr. Douglas J. Gordon, formerly President of Ontario Hydro, Willowdale, Ontario, June 26, 1992 (hereafter, Gordon, June 26, 1992); Interview with Mr. Alan Strike, Q.C., Strike, Salmers and Fur-

long, Barristers and Solicitors, Bowmanville, Ontario, October 18, 1991 (hereafter, Strike, October 18, 1991); and, Gordon, November 15, 1991.

11. Interview with Dr. J.K. Reynolds, formerly C.E.O., Department of the Prime Minister 1964-69, Deputy Minister to the Prime Minister and Secretary to the Cabinet, 1969-1972, and Deputy Provincial Secretary for Resources Development, 1972-74, Scarborough, Ontario, March 9, 1992 (hereafter, Reynolds, March 19, 1992); and, Gathercole, August 17, 1992.

12. Gathercole, August 17, 1992; Interview with Mr. H. Ian Macdonald, formerly Deputy Treasurer of Ontario, York University, Downsview, Ontario, June 26, 1992 (hereafter, Macdonald, June 26, 1992); Gordon, November 15, 1991; Gordon, June 26, 1992; and, Reynolds, March 19, 1992.

13. Gordon, June 26, 1992; Interview with Mr. Don H. Cliff, formerly of Ontario Hydro, Burlington, Ontario, October 9, 1991 (hereafter, Cliff, October 9, 1992); and, Frame, February 14, 1992.

14. O.M.E.A., Annual Meeting [full proceedings], 1967, pp. 6, 38 and 42; and, Frame, February 14, 1992.

15. Wilson's sentiment was surprising because the Minister of Municipal Affairs, J.W. Spooner, had informed the O.M.E.A. in October 1966 that he could see "no reason" to amend the Public Utilities Act. W. 'Darcy' McKeough, who would succeed Spooner as Minister, recollects that the O.M.E.A.'s influence had been felt, and would continue to be a an obstacle to reform. O.M.E.-A., Annual Meeting [full proceedings], 1967, pp. 5-6, 32-3 and 14; and, Interview with W. 'Darcy' McKeough, formerly Minister of Municipal Affairs 1967-71, Treasurer of Ontario 1971-72, and Minister of Energy 1973-75, and Treasurer of Ontario 1975-8, at the office of Canadian Development Investment Corporation, Toronto, Ontario, May 6, 1992 (hereafter, McKeough, May 6, 1992).

16. Ontario Committee on Taxation, "Provincial Government Enterprises," Chapter 36 of Report III: The Provincial Revenue System, (Toronto: Queen's Printer, 1967). On the first recommendation, the Committee considered that the government's statutory obligation to guarantee debt distorted the credit ratings of both the province and the H.E.P.C. The Committee recommended "discontinuing the practice" for the H.E.P.C. because it could "reasonably be expected to meet the competitive test of the capital market." Ibid., paragraphs 22-23, p. 420. On the second, the Committee recognized that depreciation and other allowances would, "in all probability," not produce a taxable

income, but felt the tax calculation had merit because it revealed the degree to which the H.E.P.C. was "liable" for taxation. Ibid., paragraphs 20-21, pp. 419-420. On the third, the Committee objected to the sinking fund because it was not in accord with "generally accepted" accounting practices. Moreover, because it had not been invested in "income-earning securities," the Committee felt it did not reveal the true extent of the municipal interest and the actual financial state of the H.E.P.-C. Ibid., paragraphs 13-18 pp. 418-419.

17. Ontario Committee on Taxation, "Reconciling Structure with Finance," Chapter 23, Paragraphs 57 and 54, pp. 544 and 514-5, and "Local Non-Tax Revenue," Chapter 17, Paragraphs 43-54, pp. 341-7, in Ontario Committee on Taxation, Report II: The Local Revenue System (Toronto: Queen's Printer, 1967). The most controversial of these recommendations related to control over surpluses. The Committee felt that where a high level of surplus retention from revenue exists, present users of the system were in fact subsidizing future users. The Committee found this to be especially the case for hydros, and did not consider the effect justifiable. It reasoned that since the municipal councils must cover any losses incurred, they should be able to determine the level and administration of the surplus, but this had not been within a municipality's power. The Committee favoured bylaws being passed in instances where surpluses were to be retained above a specified level. Ibid., Chapter 21, Paragraphs 51-53, pp. 344-6.

18. On those recommendations affecting the H.E.P.C., Gathercole felt it was a "fallacy" to subject a public, at-cost enterprise to the same taxation as a private, for-profit corporation; that the H.E.P.C. met its "full" tax responsibilities; and, that there was "no useful purpose" in the H.E.P.C. adopting private sector accounting practices. On those affecting the municipal hydros, he stated that supervision should remain with the H.E.P.C. O.M.E.A., Annual Meeting [full proceedings], 1968, pp. 79-80; Macdonald, June 26, 1992; and, Gathercole, August 17, 1992. The Smith Committee's recommendations would be tempered by those of a select committee of the Legislature which reported September 16, 1968. On those affecting the H.E.P.C., the Select Committee, chaired by John White, M.P.P., rejected the need for private sector accounting practices, felt payment of corporate income tax needed more study, and did not endorse the removal of the government guarantee of H.E.P.C. debt. On those affecting local hydros, it concluded that they should be subject to only "municipal" taxation, but concurred that municipal councils should control their surpluses and that the Department of Municipal Affairs should supervise their finances. On regional government, the White Committee also did not list hydro as an upper-tier function. Ontario, Taxation in Ontario: A Program of Reform: The Report of the Select Committee of the Legislature on the Report of the Ontario Committee on Taxation (September 16,

1968), pp. 293-5, 101-3 and 145-50.

19. On November 8, 1967 the H.E.P.C. had informed the O.M.E.A.'s Power Costing Committee that it required "extraordinary" increases for 1968 and probably 1969. The Committee did not recommended that the H.E.P.C. run a deficit, choosing instead to recommend that contingency funds be used to stabilize rates for 1968 and 1969 with all costs to be met through rates by 1970. O.M.E.A., Annual Meeting [full proceedings], 1968, p. 25; and, H.E.P.C., Annual Report, 1967, p. iv.

20. The factors Gathercole noted were: "high interest rates, wages and salaries; rising prices for materials and equipment; and the transition to predominantly thermal power generation and a far more sophisticated and expensive transmission system." O.M.E.A., Annual Meeting [full proceedings], 1968, pp. 76-78; H.E.P.C., Annual Report, 1967, p. iv; and, Frame, February 14, 1992.

21. Having heard Meen's report, the convention resolved to make submissions to all local government reviews and to study the "economies and advantages" of regional government. Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1968, p. 9; O.M.E.A., Annual Meeting [full proceedings], 1968, pp. 91-2 and 54-6; O.M.E.A., Annual Meeting [full proceedings], 1969, p. 82; and, Frame, February 14, 1992.

22. Acknowledging the influence of various sources of advice, including the Beckett Committee, Robarts went to some length to point out when unveiling the scheme in 1966 that the government's objective was "regional development" and not "regional government." Although the program involved many new governmental structures, he hastened to point out that the government had exercised "great caution" to ensure the "existing power and authority" of municipalities was not "disturbed". Ontario, Design for Development (Statement by the Prime Minister of the Province of Ontario on Regional Development Policy, April 5, 1966).

23. Premier Robarts, for his part, stated that the economic initiatives of phase one of Design for Development and the local government reviews under way had come to be "interrelated", declaring that the "moment" had arrived for both to be pursued under regional government. McKeough, for his part, added that regional government would not be instituted uniformly across the province as the O.M.E.A. and the municipalities feared. Ontario, Design for Development: Phase Two (Statement by the Honourable John Robarts, Prime Minister of Ontario, November 28, 1968 and Statement by the Honourable W. Darcy McKeough, Minister of Municipal Affairs, December 2, 1968). McKeough recollects that regional development and government only came to be linked after his department convinced treasury officials that their economic

objectives could be advanced in the process. McKeough, May 6, 1992. A.K. McDougall writes that because of "friction" between the two schemes a memorandum of understanding had to be signed in 1968. A.K. McDougall, John P. Robarts: His Life and Government (Toronto: University of Toronto Press, 1988), p. 214.

24. The advantage of nuclear power, according to Gordon, was its low operating costs compared to coal power, the predominant source of fossil fuel, with the disadvantage being high capital cost. On this basis, nuclear plants would be used for base loads, with coal plants reserved for peak requirements. Notably, Gathercole did express reservations about going exclusively nuclear because of scarce capital and because the technology was not yet fully proven. O.M.E.A., Annual Meeting, 1969, p. 71; H.E.P.C., Annual Report, 1968, pp. iii-v; and, Gordon, November 15, 1991.

25. From the staff perspective, Gordon recalls that Gathercole's pronouncements were "appropriate" for the time, but remarks that where economic spin-offs might have been an important consideration for the government, the H.E.P.C. was primarily concerned with establishing a sound supply industry. For the government's part, Macdonald remembers that there was an "awareness" of the economic benefits of nuclear power, but that it was not yet a well developed consideration in government policy. Gathercole, August 17, 1992; Gordon, November 15, 1991; and, Macdonald, June 26, 1992.

26. O.M.E.A., Annual Meeting [full proceedings], 1969, pp. 44-46; and, Frame, February 14, 1992.

27. The executive's reasoning was that the "increased prestige and responsibility" at the upper-tier would attract "better and more capable" candidates. John MacBeth, a member of the Government Legislation Committee, defended the executive's position by outlining the O.M.E.A.'s options: first, the status quo in the face of the government's commitment to change "did not seem possible"; second, hydro might be assigned as a lower-tier function, but the important municipal decisions would be made at the upper-tier; and, third, the H.E.P.C. could assume their distribution role, which was not in their self interest. O.M.E.A., Annual Meeting [full proceedings], 1969, pp. 1, 4, 87 and 119-20; McKeough, May 6, 1992; and, McDougall, op. cit., pp. 229-30.

28. O.M.E.A., Annual Meeting [full proceedings], 1970, p. 2; Interview with Mr. Andrew Frame, formerly President of the O.M.E.A., Burlington, Ontario, July 21, 1992 (hereafter, Frame, July 21, 1992); Cliff, October 9, 1992; H.E.P.C., Hydro News 56:7 (June/July 1769), p. 22; Leonoff, August 24, 1992; and, McDougall, op. cit., p. 233.

29. Committee on Government Productivity, Interim Report Number One (Toronto: Queen's Printer, December 15, 1970), Appendix 1, p. 37 and pp. 8-9; and, Interview with Mr. John B. Cronyn, formerly Chairman of the C.O.G.P., London, Ontario, March 2, 1992 (hereafter, Cronyn, March 2, 1992); Reynolds, March 9, 1992; Gathercole, August 17, 1992; and, Frame, February 14, 1992.

30. H.E.P.C., Annual Report, 1969, pp. iv-v.

31. Rates had increased in Quebec by 10.3 percent, in Manitoba by 14 percent and in B.C. by 15 percent. Again, the O.M.E.A. supported the increases by defeating a resolution of dissent. The resolution had called on the H.E.P.C. to explore reserves before initiating increases. O.M.E.A., Annual Meeting [full proceedings], 1970, pp. 86 and 66-73.

32. Under this rationale, the O.M.E.A. felt tha hydro could be on either the upper or lower tier of municipal government and be "quite consistent" with the government's policy. According to Gordon, the H.E.P.C. concurred with these policy positions. With planning on a larger scale being the impetus for services controlled by the regional council, the same need did not exist for the council to control hydro, in his view, since the H.E.P.C. already provided the planning function. The O.M.E.-A.'s grounds for preferring elected commissioners were, first, that energy was a "competitive" industry and, second, that elected commissions would be "responsive and directly accountable" to the customer and not subservient to the council. O.M.E.A., Annual Meeting [full proceedings], 1970, pp. 94, 96 and 133; and, Gordon, November 15, 1991. On the lack of responsiveness of municipal hydros to the public, see, for example, O.M.E.A., Annual Meeting [full proceedings], 1969, pp. 77-80.

33. H.E.P.C., Annual Report, 1970, pp. iii-iv.

34. Gordon, June 26, 1992; Frame, February 14, 1992; and, McKeough, May 6, 1992. Notably, at the 1964 O.M.E.A. conference, Burlington hydro had challenged the H.E.P.C.'s power to determine the "at-cost" price of power without appeal. By contract, the H.E.P.C. billed the municipalities monthly with an interim rate, and then, with all costs known, issued a thirteenth bill for "adjustments and apportionments." The Government Legislation Committee, chaired by Hay, recommended no action, arguing that appeals should more properly be directed to the O.M.E.A. rather than a "quasi-judicial tribunal" since many of the charges in the "at-cost" formula were a result of its requests. Frame, then a member of Burlington hydro, recalls that the intent of the resolution was to relieve Burlington of frequency standardization charges for which it paid even though it had not required conversion. The resolution was, however, worded on the basis of a general right to appeal. O.M.E.A., Annual Meeting, 1964, pp.

28-30; R.S.O. 1960 c. 300 s. 84; and, Frame, February 14, 1992.

35. O.M.E.A., Annual Meeting [full proceedings], 1971, pp. 42-3, 94-5 and 89-94.

36. Ibid., pp. 76-83.

37. The C.O.G.P. recommended and the government soon after adopted a "formal policy process" primarily through the creation of two cabinet committees. First, the Policy and Priorities Board (P.P.B.) was established to "develop", "evaluate" and "prioritize" policy alternatives under the premier's chairmanship. Second, the Management Board was established to analyze "administrative, financial and organizational implications" of a policy before it was discussed in full cabinet. C.O.G.P., Interim Report Number Two (Toronto: Queen's Printer, March 16, 1971). According to George J. Szablowski, the C.O.G.P. sought to replace the existing "pragmatic/empirical" approach to decision-making with a "conceptual/prescriptive" approach. George J. Szablowski, "Policy-Making in the Cabinet: Recent Organizational Engineering at Queen's Park," in Government and Politics in Ontario, ed. by Donald C. MacDonald (Toronto: Macmillan, 1975), p. 117-118.

38. C.O.G.P., Interim Report Number One, (December 15, 1970), pp. 8-9; and, Peter Silcox, "The A.B.C.'s of Ontario: Provincial Agencies, Boards and Commissions," in MacDonald, (1975), op. cit., pp. 138-9.

39. See C.O.G.P., Interim Report Number Four (Toronto: Queen's Printer, December 22, 1971), pp. 1 and 13-17; and, C.O.G.P. Report Number Ten (Toronto: C.O.G.P., March 1973), p. 60.

40. Cronyn, March 2, 1992; Interview with Mr. Robert B. Taylor, formerly Chairman of Ontario Hydro, Willowdale, Ontario, June 18, 1992 (hereafter, Taylor, June 18, 1992); Reynolds, March 9, 1992; Gathercole, August 17, 1992; Interview with Mr. Richard M. Dillon, formerly Executive Director of T.F.H. 1971-73, Deputy Minister of Energy 1973-76, and Deputy Provincial Secretary for Resources Development 1976-79, Toronto, Ontario, March 5, 1992 (hereafter, Dillon, March 5, 1992; and, Macdonald, June 26, 1992.

41. Gordon, June 26, 1992; Interview with J. Dean Muncaster, formerly Chairman of T.F.H., Toronto, Ontario, May 12, 1992 (hereafter, Muncaster, May 12, 1992); and, Macdonald, June 26, 1992.

42. Legislature of Ontario, Debates (July 22, 1971); Advisory Committee on Energy, Energy in Ontario, The Outlook and Policy Implication; Volume One (December 19, 1972); and, Mac-

donald, June 26, 1992.

43. O.M.E.A., Annual Meeting [full proceedings], 1972, p. 21; Frame, February 14, 1992; and, McKeough, May 6, 1992. The Advisory Committee was not officially appointed until August 18, 1971.

44. S.O. 1971 c. 63, The Department of the Environment Act, 1971; S.O. 1971 c. 86, The Environmental Protection Act, 1971; Reynolds, March 9, 1992; and, C.O.G.P., Interim Report Number Three (Toronto: Queen's Printer, December 1971).

45. Leonoff, August 24, 1992.

46. Interview with the Honourable William G. Davis, formerly Premier of Ontario, Tory, Tory, DesLauriers & Binnington, Toronto, Ontario, August 17, 1992 (hereafter, August 17, 1992); Macdonald, June 26, 1992; Gathercole, August 17, 1992; Gordon, June 26, 1992; and, Dillon, March 5, 1992.

47. In fact, the Committee met and concluded that it would be "irresponsible" to set rates below 7 percent before Frame announced, to the surprise of those assembled, that the government did not want an increase over 5 percent. Davis, August 17, 1992; O.M.E.A., Power Costing in Ontario (n.d. [1971]); O.M.E.A., Annual Meeting [full proceedings], 1972, pp. 32-33; and, Frame, February 14, 1992.

48. In late November 1971, the H.E.P.C. formally announced that rate increases for January 1, 1972 would be deferred to a later date. O.M.E.A., Annual Meeting [full proceedings], 1972, pp. 21 and 32-3; and, Frame, February 14, 1992.

49. Dillon adds that political considerations usually moderated rate increases at the expense of raising enough capital internally and hence at the expense of an appropriate debt/equity ratio. Davis, August 17, 1992; Macdonald, June 26, 1992; Gordon, June 26, 1992; Frame, July 21, 1992; and, Dillon, March 5, 1992.

50. The function of the policy ministers was based on two presumptions. The first was that the ministers would "derive influence" in policy-making from membership on P.P.B. and chairmanship of their cabinet committee. The second was that these ministers would be of "equal status" in cabinet to ministers with line or program responsibilities. As for questions in the Legislature, Cronyn maintains that the policy minister was intended to answer for "broad" policy and the line minister for program issues. The policy ministers, as Jonathan Manthorpe notes, had an inauspicious start because Davis did not even return from Florida for their swearing in. C.O.G.P., Interim Report Number Three, op. cit, pp. 1-3 and 14-26, and recommenda-

tions 8.1-8.6; Cronyn, March 2, 1992; Jonathan Manthorpe, Power and the Tories: Ontario Politics, 1943 to the Present (Toronto: Macmillan, 1974), pp. 219-20.

51. H.E.P.C., Annual Report, 1971, pp. 2-4; Macdonald, op. cit.; and, H.E.P.C., Statistical Yearbook, 1971.

52. H.E.P.C., Annual Report, 1971, pp. 2-4; Macdonald, June 26, 1992; and, Frame, February 14, 1992.

53. H.E.P.C., Annual Report, 1971; H.E.P.C., Statistical Yearbook, 1971; S.O. 1918 c. 14 s. 3; and, S.O. 1950 c. 55 s. 2.

54. O.M.E.A., Annual Meeting [full proceedings], 1972, pp. 91-7.

55. Ibid, pp. 43-5.

56. Ibid., pp. 115-118, 143 and 146-9.

57. Muncaster, May 12, 1992; McKeough, May 6, 1992; Gathercole, August 17, 1992; Macdonald, June 26, 1992; and, Gordon, June 26, 1992.

58. H.E.P.C., Hydro News 59:4 (April 1972), p. 16; O.M.E.A., Annual Meeting [full proceedings], 1973, p. 4; and, Muncaster, May 12, 1992.

59. Until 1916 there was not provision for an annual report because the H.E.P.C.'s finances were treated like a department's. From 1916 to 1949 the H.E.P.C. submitted its annual report directly to the cabinet. After 1949, the report was submitted to the Provincial Secretary (as distinct from the new policy ministers). S.O. 1972 c. 1 s. 3 and 73. The Government Reorganization Act, 1972; S.O. 1916 c. 19 s. 4; S.O. 1949 c. 73 s. 2; Frame, February 14, 1992; and, Frame, July 21, 1992. As Bill 27, the statute had been debated at length in Committee of the Whole on March 30, 1972, but its effect on the H.E.P.C. was not raised as an issue. Legislature of Ontario, Debates (March 30, 1972), pp. 740-68. From the H.E.P.C. perspective, Gordon and Taylor, who would become president and chairman of Ontario Hydro respectively, remark that the change only meant that the H.E.P.C. was responsible "through the minister" rather than "to the minister." G. Bruce Doern writes that this "statutory ambivalence is of considerable import and often politically convenient for both parties." Gordon, June 26, 1992; Taylor, June 18, 1992; and, G. Bruce Doern, Government Intervention in the Canadian Nuclear Industry (Montreal: The Institute for Research on Public Policy), p. 165.

60. By leaving the premier as a "voice of last resort" and out of "operational discussion," Macdonald recalls that it was believed ministerial attention to the H.E.P.C. would be more "systematic", although in hindsight he finds it ironic that the H.E.P.C. was attached to the environment portfolio. Cronyn, March 2, 1992; Dillon, March 5, 1992; Davis, August 17, 1992; Macdonald, June 26, 1992; and, Gathercole, August 17, 1992. With the H.E.P.C. wanting a direct relationship to the premier "if anybody" according to McKeough, the decision was arrived at only after lengthy discussion in cabinet. McKeough, May 6, 1992. The ministries concept was not elaborated until March 1973. See, C.O.G.P., Report Number Nine (Toronto: C.O.G.P., March 1973).

61. McKeough claimed that special purpose bodies "obscure the accountability of councils and impede comprehensive priority setting." In making his pronouncements, McKeough noted that reform had proceeded in only eight "major" areas in four years. Ontario, Design for Development: Phase Three (Statement by the Honourable William G. Davis, Premier of Ontario, to the Legislature, Friday June 16, 1972; Statement by the Honourable W. Darcy McKeough, Treasurer of Ontario, to the Founding Convention of the Association of Municipalities of Ontario, Ottawa, June 19, 1972).

62. Frame, July 21, 1992; and, Interview with Mr. Richard M. Dillon, formerly Executive Director of Task Force Hydro and Deputy Minister of Energy, Toronto, Ontario, July 7, 1992 (hereafter, Dillon, July 7, 1992).

63. Letter from Blake, Cassels & Graydon to T.F.H., June 13, 1972, and Letter from Blake, Cassels & Graydon to T.F.H., September 19, 1972, (Archives of Ontario, R.G. 18, E-23, Box 20, File 15). The share certificate scheme was recommended to T.F.H. between the first and second letters, according to Muncaster, but was presented in the second letter. Muncaster, May 12, 1992. The substance of this legal opinion appears in Task Force Hydro, Report Number One: Hydro in Ontario, A Future Role and Place (August 15, 1972), pp. 60-63.

64. Dillon, July 7, 1992; Frame, July 21, 1992; Interview with Mr. Andrew Frame, formerly President of the O.M.E.A., Toronto, Ontario, March 12, 1992 (hereafter, Frame, March 12, 1992); and, Interview with Mr. Robert W. Macaulay, Macaulay, Chusid and Friedman, Toronto, Ontario, June 23, 1992 (hereafter, Macaulay, June 23, 1992). The Municipal Electric Association, successor to the O.M.E.A., refuses to release the legal opinion, still considering its content to be "confidential". Correspondence with Mr. I.H. 'Tony' Jennings, C.E.O., Municipal Electric Association, Toronto, August 17, 1992.

65. Notably, Solandt would identify the root of the problem to be a dichotomy of interests between the "true rural resident" who favoured development because of its urban amenities and the "rural estate owner" who opposed development for the same reason. Solandt Commission, Interim Report (October 31, 1972), p. 31; Solandt Commission, "Closing the Gap": A Public Inquiry into the Transmission of Power between Nanticoke and Pickering (March 1974). On Solandt's recommendations, Dillon remarks that all linear land users had difficulty responding to the changed policy environment of the 1960s, although McKeough adds that the H.E.P.C. was more "visible". While Gordon concedes that the H.E.P.C. might have been "slow off the mark," he remembers that it did not wait for the recommendations before acting, having learned a great deal from the concerns expressed in the Solandt hearings. Reynolds, from the government's perspective, recalls that the H.E.P.C. only saw the "writing on the wall" with Solandt. Having had to travel to England as Deputy Minister of Energy Resources to gain insights on linear land use policy, he maintains that it had "dragged its feet" on the issues and had to "play catch-up." Reynolds believes the problem lay in the H.E.P.C. having "resisted the change," reluctant to temper its broad delegated powers including expropriation. All agree that the H.E.P.C. carried an "aura" that it served the 'public good' in a broad sense, making the transition difficult. Dillon, March 5, 1992; McKeough, May 6, 1992; Gordon, June 26, 1992; and, Reynolds, March 9, 1992.

66. T.F.H., Report Number One, op. cit, recommendation 1.18, pp. 47-49, and Appendix V, pp. 80-1. Frame now adds that he believed privately at the time that the H.E.P.C.'s exemption from the Crown Agency Act, 1959 would not sustain the recommendation. Although Reynolds does not remember this Act ever coming to the attention of T.F.H., the C.O.G.P. or any law reform commission, Frame maintains it was "common knowledge" and therefore felt no obligation to bring it to the attention of the other T.F.H. members. Frame claims the Crown Agency Act was not brought to his attention as a result of Macaulay's legal opinion even though Macaulay would have been aware of it because it had been passed just days before his Department of Energy Resources Act and had contributed to the view that Macaulay was not formally responsible for the H.E.P.C. Macaulay does not recall bringing the Act to the O.M.E.A.'s attention and adds that if he did he would have noted that the exemption would have been nullified if the government passed a statute calling the H.E.P.C. a crown corporation. Frame, July 21, 1992; Reynolds, March 9, 1992; and, Macaulay, June 23, 1992.

67. In addition, T.F.H. had also been motivated by the need to "fit" the H.E.P.C. into the role of a crown corporation as this would be defined by the C.O.G.P., recognizing that it would not fit the role of a commission. T.F.H., Report Number One, op. cit., recommendation 1.18, pp. 47-49. The C.O.G.P. would not

make its agency recommendations until March 1973. See, C.O.G.P., Report Number Nine, op. cit.

68. Dillon, March 12, 1992; and, Muncaster, May 12, 1992.

69. T.F.H., Report Number One, op. cit, recommendation 1.20, pp. 49-52 and Appendix V, pp. 80-1; Frame, March 12, 1992; and, Dillon, March 5, 1992.

70. T.F.H., Report Number One, op. cit., recommendation 1.1, pp. 35-6 and Appendix V, pp. 80-1; Frame, March 12, 1992; and, Muncaster, May 12, 1992.

71. T.F.H., Report Number One, op. cit., recommendations 1.21 and 1.22, pp. 53-4.

72. Gordon, November 15, 1991; Gordon, June 26, 1992; Dillon, March 5, 1992; Dillon, July 7, 1992; Cronyn, March 2, 1992; and, Gathercole, August 17, 1992.

73. Although this outcome accommodated Gathercole, Reynolds remembers him becoming less "voluble" in his objections in the face of the "positive stance" the government was taking. Taylor, June 18, 1992; Dillon, March 5, 1992; Dillon, July 7, 1992; and, Reynolds, March 9, 1992.

74. The contract scheme was borrowed from Electricite de France. T.F.H., Report Number One, op. cit., recommendations 1.14-1.17, pp. 44-5; and, Cronyn, March 2, 1992.

75. T.F.H., Report Number One, op. cit., recommendations 1.5-1.9 pp. 40-2; and, Muncaster, May 12, 1992.

76. T.F.H., Report Number One, op. cit., recommendation 1.31, pp. 60-3; and, Dillon, July 7, 1992.

77. Dillon, July 7, 1992; and, Taylor, June 18, 1992.

78. Frame, March 12, 1992; Muncaster, May 12, 1992; and, Dillon, March 5, 1992.

79. T.F.H., Report Number One, op. cit., recommendations 1.25, 1.26, and 1.29, pp. 56-9, and Appendix V, pp. 80-1; and, Frame, March 12, 1992.

80. O.M.E.A., Submission to the Premier of the Province of Ontario with respect to Task Force Hydro's Report to the Executive Council on Hydro in Ontario -- A Future Role and Place (September 19, 1972) (Archives of Ontario, R.G. 18, E-23, Box 8, File 1).

81. Ontario, Statement by the Honourable William G. Davis, Premier of Ontario, at a News Conference to release the First Report of Task Force Hydro (November 13, 1972); Dillon, March 5, 1992; and, Davis, August 17, 1992.

82. On the handling of public complaints, the issue which had led to the Solandt Commission, T.F.H. recommended the establishment of an "office of public affairs" directly responsible to the proposed board of directors. Its function would be to hear "grievances" from the public and respond to "questions and complaints" from M.P.P.s. Solandt, Interim Report, op. cit., pp. 31-33; T.F.H., Report Number One, op. cit., recommendations 1.10 and 1.12, p. 43; T.F.H., Report Number Two: Hydro in Ontario, An Approach to Organization (December 14, 1972), recommendations 2.4, 2.5 and 2.6, pp. 61-66. When it responded to Solandt's and T.F.H.'s recommendations for open planning, Gordon believes the H.E.P.C. became "one of the leaders in the field" of public consultation. Dillon agrees the H.E.P.C. responded "positively", but remarks that it did so only "as required," continuing to view public consultation was "a lot of nonsense." Gordon, June 26, 1992; and, Dillon, March 5, 1992.

83. The Committee came to this conclusion because of rising energy prices; the need for environmental controls and 'trade-offs', increased competition for capital especially as it affected electric power expansion; Ontario's dependency on energy sources outside its territory for 80 percent of its needs; the need to ensure adequate supplies of uranium for Ontario's needs; and, the need to improve energy efficiency and conservation. Advisory Committee on Energy, op. cit., recommendation 00:1, pp. i-ii. A second volume was later published by the Committee as the "main report," with volume one serving as the Committee's summary of findings and vehicle for its "principal" recommendations. Advisory Committee on Energy, Energy in Ontario, The Outlook and Policy Implications: Volume Two (March 5, 1973).

84. Regier's concern was that the assumption might "stimulate" growth, and thereby become "self-fulfilling". A.C.E., Volume One, op. cit., Appendix F, pp. 37-39; Reynolds, March 9, 1992; and, Dillon, March 5, 1992.

85. Although the C.O.G.P. did not favour the creation of a new ministry, according to Cronyn it recognized that the scheme would "appeal" to politicians. A.C.E., Volume One, op. cit., recommendation 00:1, pp. i-ii; Reynolds, March 9, 1992; Dillon, March 5, 1992; Gathercole, August 17, 1992; and, Cronyn, March 2, 1992.

86. In presenting this recommendation, the A.C.E. did acknowledge that a ministry of energy would pose a conflict of responsibilities with the functions recently assigned to the Provincial Secretary for Resources Development. Recognizing as

well that the government might be reluctant to create a new ministry so soon after the C.O.G.P. round of reorganization that created the latter, the A.C.E. offered the energy commission recommendation as a fall-back position. A.C.E., Volume One, recommendations 00:3-00:7, pp. iii-vi; Dillon, March 5, 1992; and, Reynolds, March 9, 1992.

87. Hay also argued that there was no accepted "measure" of environmental cost. In his view, the measure had first to be established or the recommendation could be read as favouring only "risk-free" developments. A.C.E., Volume One, op. cit., Appendix E, p. 36; Gathercole, August 17, 1992; Gordon, June 26, 1992; and, Frame, March 12, 1992.

88. T.F.H., Response to O.M.E.A. Statements on Task Force Hydro Report Number One (January 10, 1973) (Archives of Ontario, R.G. 18, E-23, Box 8, File 25); and, Frame, July 21, 1992.

89. Frame, March 12, 1992; Frame, July 21, 1992; Davis, August 17, 1992; and, Dillon, July 7, 1992.

90. T.F.H., Response to the O.M.E.A., op. cit.; W. Darcy McKeough, Report on the Structure of Energy Administration in Ontario (June 1, 1973); Jonathan Manthorpe, Power and the Tories: Ontario Politics 1943 to the Present (Toronto: Macmillan, 1974), pp. 250-53; and, Davis, August 17, 1992. Although McKeough does not recall this extra responsibility, Muncaster remembers that it was the case. Frame does not make this connection, believing McKeough's appointment had been in the works for some time, and Reynolds feels that the primary motivation was to "rehabilitate" McKeough so he could return to cabinet. McKeough, May 6, 1992; Muncaster, May 12, 1992; and, Reynolds, March 9, 1992.

91. T.F.H., Report Number Three: Nuclear Power in Ontario (February 16, 1973), recommendations 3.2-3.18, pp. 2, 43-59. According to Reynolds, the givens for the nuclear study, which were offered without explanation, were premised on the historical rate of growth in demand, rather than looming energy shortages. Dillon, on the other hand, believes otherwise, with society having been "brainwashed" by the oil and gas industry. Frame suggests both were contributing factors. Reynolds, March 9, 1992; Dillon, March 5, 1992; and, Frame, March 12, 1992.

92. Gordon, June 26, 1992; Taylor, June 18, 1992; Dillon, March 5, 1992; and, Reynolds, March 9, 1992.

93. H.E.P.C., Hydro News 60:2 (March-April, 1973), p. 13; McKeough, May 6, 1992; Dillon, July 7, 1992; Muncaster, May 12, 1992; and, Frame, March 12, 1992.

94. O.M.E.A., Annual Meeting [full proceedings], 1973, pp. 4-7.

95. In his introductory remarks, Davis cautioned that commissioned recommendations "do not automatically become government policy" and that he had "deferred judgement" on T.F.H.'s recommendations to allow for discussion. Ibid., pp. 81-87.

96. Ibid., pp. 83, 88-90· Dillon, March 5, 1992; Davis, August 17, 1992; and, Design for Development: Phase III, op. cit.

97. On hearing Robertson's attack, McKeough remembers it as something that was simply "not done," Gordon recalls it being a "horrible experience," and Frame recollects having "cringed", and rushed to apologize to Davis immediately afterward. O.M.E.-A., Annual Meeting [full proceedings], 1973, pp. 78 and 115; Gordon, June 26, 1992; McKeough, May 6, 1992; Frame, March 12, 1992; Gathercole, August 17, 1992; and, Davis, August 17, 1992.

98. In response to specific T.F.H. recommendations, Gathercole stated, first, that there must be a "convincing reason" for hydro to remain a lower-tier responsibility and, second, that he believed that the relationship between the H.E.P.C. and the municipalities were "vital and must be maintained." O.M.E.A., Annual Meeting [full proceedings], 1973, pp. 91-4.

99. Before taking questions from the floor, Muncaster clarified four points of "misunderstanding". First, he explained that in recommending that the H.E.P.C. be responsible for the "total delivery system," T.F.H. was giving recognition to the fact that the Power Commission Act already gave it the power to regulate municipal rates and other matters. Second, he stated that T.F.H. had mistakenly been seen to be calling for profits to be generated when in fact it favoured generating more funds internally just as the O.M.E.A. had with a capital levy. Third, on regional government, he explained that upper-tier hydro was "preferable" because of greater economies of scale and more uniform rates. Fourth, he stated that T.F.H. would recommend "rate review" because the present consultation between the H.E.-P.C. and O.M.E.A. did not provide for public participation. Ibid., pp. 100-105 and 68-7.

100. Despite the hostility of the session, it ended with Muncaster and Taylor receiving a standing ovation, although only after a delegate chided the convention for its earlier poor treatment of the Premier. Ibid., pp. 107-115.

101. The O.M.E.A. also called for a supplementary paper clarifying T.F.H.'s recommendations in the hope that the general public would be alarmed. Ibid., pp. 69-7 and 116-129; Reynolds,

March 9, 1992; Frame, March 12, 1992; Taylor, June 18, 1992; and, Muncaster, May 12, 1992. The O.M.E.A. would meet with Davis on April 16, 1973 to discuss the coming changes to the H.E.P.C. President E.R. Alexander would later state that Davis was not disposed to call for a clarification of T.F.H.'s recommendations, but did suggest that the association's views on representation and regional government "would receive proper recognition." O.M.E.A., Annual Meeting [full proceedings], 1974, p. 3.

102. The C.O.G.P. also recommended that all appointments to agencies be made by cabinet, and only for limited terms, and that all directors of corporations be given "freedom" to focus on "economic performance," neither of which reinforced the O.M.E.A.'s call for half the directors. Of related interest, the C.O.G.P. recommended that all agencies report to the Legislature through a minister, and, with special reference to the H.E.P.C., agencies with outside auditors report to the provincial auditor as well to enable M.P.P.s to have "direct access" to the reports. C.O.G.P., Report Number Nine (March 1973), recommendations 12.16, 12.17, 12.21, 12.22, 12.24, 12.2, 12.25, pp. 47-50 and 38.

103. Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1973, p. 5. On March 21st, the Solandt Commission's mandate was extended to inquire into a second transmission route from Lennox near Kingston to Oshawa. Solandt Commission, "Transmission": A Public Inquiry into the Transmission of Power between Lennox and Oshawa (April 1975).

104. In the knowledge that politicians wanted the "high profile" relationship recommended by the A.C.E., Dillon, for his part, informed McKeough of the importance of the "delicate balance" T.F.H. had sought between corporate autonomy and policy direction for both the H.E.P.C. and the government. Macaulay, who also favoured the T.F.H. model over that of the A.C.E., remembers his advice being on the order of finding a "politically acceptable" solution. McKeough, Structure of Energy Administration, op. cit.; McKeough, May 6, 1992; Muncaster, May 12, 1992; Dillon, July 7, 1992; and, Macaulay, June 23, 1992.

105. While Dillon and T.F.H. were inclined to favour review, Macaulay recalls advising McKeough to recommend full regulation. In his view it was the only "accepted standard" for filling the void of competition, noting that it worked for natural gas. McKeough, Structure of Energy Administration, op. cit., pp. 10-14; McKeough, May 6, 1992; Dillon, July 7, 1992; Interview with Mr. Robert W. Macaulay, Toronto, July 31, 1991 (hereafter, Macaulay, July 31, 1991); and, Macaulay, June 23, 1992.

106. T.F.H., Report Number Four: Hydro in Ontario, Financial Policy and Rates (April 11, 1973), recommendation 4.9, p. 33; Muncaster, May 12, 1992; Reynolds, March 9, 1992; Dillon, March 5, 1992; Gordon, June 26, 1992; and, Taylor, June 18, 1992. On the issue of strategically releasing reports to maximize their chance of implementation, James D. Fleck, Executive Director of the C.O.G.P., remarks that if T.F.H.'s reports were not released strategically like the C.O.G.P.'s, "they should have been." Interview with Mr. James D. Fleck, formerly Executive Director of the C.O.G.P. 1970-71, C.E.O., Office of the Premier 1972-73, and Secretary to the Cabinet 1974-75, February 24, 1992 (hereafter, Fleck, February 24, 1992). On the release of the C.O.G.P.'s reports strategically, see C.O.G.P., Report Number Nine, op. cit., pp. 46-7.

107. Frame also dissented on a subsidiary recommendation for the H.E.P.C. to retain all surpluses for use at its own discretion, one effect of which would be a discontinuance of the practice of paying returns on the sinking fund payments. Muncaster feels the municipalities were hypocritical in wanting the returns while not wanting to make up for short-falls in other years. T.F.H., Report Number Four, op. cit., recommendations 4.1-4.7, 4.14 and 4.16, pp. iii, 16-31, 33, 39-41 and 55; and, Muncaster, May 12, 1992. Notably, T.F.H. had discovered that the municipal hydros had operated, generally, with higher rates of return than the H.E.P.C., the purpose of which was to finance their own expansion. T.F.H. determined, paradoxically, that this conservative source of capital generation actually cost more than borrowing and caused rates to be higher than they needed to be as current users were subsidizing future users. T.F.H., Report Number Four, p. 39.

108. T.F.H., Report Number Four, op. cit., recommendation 4.17, pp. iii and 56-8; Frame, March 12, 1992; and, Muncaster, May 12, 1992.

109. Taylor, for his part, contends that regulation was not needed because the make up of the proposed large board of directors was intended to be the "embodiment of the public interest." Not surprisingly, the H.E.P.C. favoured having final authority on rates according to Gordon, since it was "running the business." T.F.H., Report Number Four, op. cit., recommendation 4.27, pp. 100-102; Frame, March 12, 1992; Dillon, July 7, 1992; Muncaster, May 12, 1992; Taylor, June 18, 1992; and, Gordon, November 15, 1991.

110. Although the recommendation regarding costs of production was in line with the O.M.E.A.'s sentiments, T.F.H. made other recommendations which were a challenge to the positions of the association and the practices of the municipalities in their competition with the natural gas industry. T.F.H. was opposed to the use of "special rates" to entice residential

consumers to electricity and "builders promotions" to entice the same. T.F.H., Report Number Four, op. cit., recommendations 4.18, 4.20 and 4.25, pp. 72-3, 78-82 and 95; Dillon, March 5, 1992; and, Muncaster, May 12, 1992.

111. Globe and Mail, Saturday April 28, 1973, pp. 1 and 4; and, Manthorpe, op. cit., pp. 266-73.

112. How Gathercole made this mistake, he maintains, was that the H.E.P.C.'s chief architect, Ken Candy, had led him to believe that the "other builders had been offered the opportunity to tender." Davis accepts this view, which was drawn out in a subsequent select committee inquiry. Globe and Mail, Monday April 30, 1973, pp. 1 and 5; Manthorpe, op. cit., pp. 266-73; Ontario, Report of the Select Committee on the Hydro-Electric Power Commission New Head Office Building, 1973 (October 2, 1973); Gathercole, August 17, 1992; and, Davis, August 17, 1992.

113. Legislature of Ontario, Debates (April 30, 1973), p. 1381; Ontario, Journals of the Legislative Assembly of the Province of Ontario, 1973, pp. 63-64; Davis, August 17, 1992; Fleck, February 24, 1992; and, McKeough, May 6, 1992.

114. H.E.P.C., Annual Report, 1972, pp. 4-7.

115. Gathercole, August 17, 1992; Macdonald, June 26, 1992; Gordon, June 26, 1992; and, Dillon, March 5, 1992. On whether expansion constituted an industrial development program, Reynolds believes Gathercole certainly knew of the economic benefits, but has "some doubt" whether government understood even though it was "supportive". In Dillon's view, the government came to understand the economic benefits of nuclear expansion, but only after it saw the direct evidence. Frame, on the other hand, contends the government knew "right up to the premier's office" of the "strong multiplier effect" of expansion on the economy. McKeough, for his part, recalls that the expansion program was based on a policy of provincial economic security which the government "agreed with." Similarly, Taylor believes that expansion was based on energy security rather than economic benefits, but the government, and McKeough in particular, understood the economic benefits. Reynolds, March 9, 1992; Dillon, March 5, 1992; Frame, March 12, 1992; McKeough, May 6, 1992; Taylor, June 18, 1992.

116. Macdonald, June 18, 1992; Gathercole, August 17, 1992; Gordon, June 26, 1992; Frame, March 12, 1992; McKeough, May 6, 1992; and, Reynolds, March 9, 1992.

117. Legislature of Ontario, Debates (June 7, 1973), pp. 2779-85; H.E.P.C., Hydro News 60:4 (July/August 1973), pp. 22-25; and, McKeough, Structure of Energy Administration, op. cit.

118. S.O. 1973 c. 57, The Power Commission Amendment Act; S.O. 1973 c. 56, The Ministry of Energy Act; S.O. 1973 c. 55, The Ontario Energy Board Amendment Act; and, McKeough, May 6, 1992. To enact these statutes, two others were repealed or amended for conformity: S.O. 1973 c. 58, The Power Control Repeal Act and S.O. 1973 c. 59, The Power Commission Insurance Amendment Act. T.F.H. would deliver a fifth report after the legislation had passed. T.F.H., Report Number Five: Hydro in Ontario: A Policy for Make or Buy (June 29, 1973).

119. Taylor, June 18, 1992; Davis, August 17, 1992; Reynolds, March 9, 1992; Dillon, March 5, 1992; Cronyn, March 2, 1992; Gordon, June 26, 1992; and, Fleck, February 24, 1992.

120. S.O. 1973 c. 57 s. 1-4; Cronyn, March 2, 1992; Fleck, February 24, 1992; Reynolds, March 9, 1992; and, Dillon, March 5, 1992.

121. S.O. 1973 c. 57 s. 7; and, McKeough, May 6, 1992; Reynolds; Muncaster, May 12, 1992; and, Dillon, March 5, 1992.

122. S.O. 1973 C. 57 s. 3 and 4; and, Cronyn, March 2, 1992; Dillon, July 7, 1992; Muncaster, May 12, 1992; McKeough, May 6, 1992; and, Gathercole, August 17, 1992.

123. S.O. 1973 c. 57 s. 5. In its first report, T.F.H. recommended that the statutory requirement for the Attorney General to grant leave for suits against the H.E.P.C. or its commissioners be abolished. The provision had been used in earlier eras to end many legal and political controversies. According to Gordon, T.F.H. felt that this requirement had put the H.E.P.C. on an unequal footing with private industry. T.F.H., Report Number One, op. cit., recommendations 1.11, p. 43; Gordon, November 15, 1991; and, O.M.E.A., Submission to the Premier, op. cit.

124. R.S.O. 1980 c. 106 s. 3, The Crown Agency Act; Frame, March 12, 1992; Dillon, March 5, 1992; Davis, August 17, 1992; Reynolds, March 9, 1992; and, Dillon, July 7, 1992.

125. In Dillon's view, the government's "appetite" for regional government "rapidly dwindled" after the Robarts era, although regional government would nevertheless proceed, according to Muncaster, where consolidation and rationalization made sense. Dillon, March 5, 1992; Muncaster, May 12, 1992; Cronyn, March 2, 1992; and, Fleck, February 24, 1992.

126. Davis refused to comment on the decision. S.O. 1973 c. 56 s. 4 and 8; McKeough, May 6, 1992; and, Davis, August 17, 1992.

127. Reynolds, March 9, 1992; Dillon, March 5, 1992; McKeough, May 6, 1992; Muncaster, May 12, 1992; Davis, August 17, 1992; and, Gordon, June 26, 1992.

128. S.O. 1973 c. 55 s. 2 and 12; and, S.O. 1970 c. 61, The Energy Amendment Act, 1970.

129. McKeough, May 6, 1992; Muncaster, May 12, 1992; Taylor, June 18, 1992; Gordon, November 15, 1991; Frame, March 12, 1992; Fleck, February 24, 1992; and, Davis, August 17, 1992.

130. Macaulay, July 31, 1991; Macaulay, June 23, 1992; Dillon, March 5, 1992; Dillon, July 7, 1992; and, Davis, August 17, 1992.

131. McKeough discussed review scenarios with then O.E.B. Chairman, S.W. Clarkson, who had been executive director of the A.C.E. S.O. 1973 c. 55 s. 12; Frame, March 12, 1992; and, McKeough, May 6, 1992.

132. Dillon, July 7, 1992; Gordon, June 26, 1992; and, Davis, August 17, 1992.

133. McKeough, May 6, 1992; Gathercole, August 17, 1992; and, Davis, August 17, 1992.

CHAPTER SEVEN
CONCLUSION: THE INSTITUTIONALIZED AMBIVALENCE OF THE H.E.P.C. IN STATUTES AND APPOINTMENTS, 1906-1973

Introduction

Although Ontario Hydro was among of the first and remains one of the foremost examples of public enterprise in Canada, its character and relationship with the Ontario government have been shrouded in ambiguity. This thesis, in examining Ontario Hydro from its creation as the Hydro-Electric Power Commission (H.E.P.C.) in 1906 to its re-creation as Ontario Hydro in 1973, strikingly confirms the relevance of what Carolyn J. Tuohy has called the "institutionalized ambivalence" of Canadian policy and politics.

In the H.E.P.C. case, the roots of this ambivalence were apparent from the beginning, stemming from a lack of consensus over the role of the state. This absent consensus was translated into a continuously and deliberately unresolved issue: that of the H.E.P.C.'s ownership. Was the H.E.P.C. the trustee of a municipal cooperative or a provincial government corporation? The genius of never having provided a frontal answer to this question, not even with the creation of Ontario Hydro in 1973, lies in the fact that the role of the state can be clothed in the very ambiguity that an absent consensus finds congenial. In the process, the history of the H.E.P.C. witnessed repeated demonstrations of what Tuohy terms an "extraordinary capacity to embody conflicting principles within structures ambiguous enough to allow for ad hoc accommodations over time."[1] Over time and in

varying measure, it was personalities, legislative statutes and executive appointments that comprised the key elements of this capacity. In uncovering this capacity through the five main eras that comprised the H.E.P.C.'s history from 1906 to 1973, each of them the subject of a separate chapter, this thesis has made its main contribution.

Two contemporary analyses of public enterprise have provided useful signposts in tracking the H.E.P.C.'s historical development. First, Marsha A. Chandler's view that crown corporations fulfil "facilitative, redistributive, and nationalistic" objectives, has uncovered the varying policy objectives pursued by the H.E.P.C. In its origin and throughout its history, the H.E.P.C. was expected to be "facilitative" of economic growth. To the extent it infringed on the property rights of the private sector, it was "redistributive." And, at select times, it was "nationalistic" by explicitly promoting Ontario over other jurisdictions. Second, Jean Kirk Laux and Maureen Appel Molot's view that crown corporations have generational characteristics has identified important markers in the H.E.P.C.'s development. Although the H.E.P.C.'s ambivalent foundations meant that it was not created in the image of the "first-generation" crown corporations that subsequently appeared, it evolved into one by becoming a sector-wide public ownership monopoly by 1925. Later it came to resemble a "second-generation" crown corporation when it was utilized for industrial strategy and counter-cyclical economic policy in the late

1960s.

The Statutory Ambiguity of the H.E.P.C.'s Ownership, 1906

The seeds of the H.E.P.C.'s "institutionalized ambivalence" lay in a conjunction of three factors in 1902. All three resulted from the advances in technology which then made it possible to transmit Ontario's abundance of electric power potential at Niagara over relatively long distances. First, the existing private power monopoly in Toronto set out to establish a vertically integrated monopoly of generation, transmission and distribution with Niagara power, and was unwilling to transmit power to the outlying municipalities of southwestern Ontario. Second, in reaction to the above, municipal leaders in the outlying areas and Toronto developed ambitions for municipal cooperative ownership of a transmission company to supply Niagara power to municipally owned distribution companies. Finally, despite no shortage of enthusiasm, the mu· .palities found themselves unable to realize their ambition without some form of financial assistance from a provincial government intent on private development and reluctant to create debt for municipalities in only one region of the province.

Given this conjunction of factors, Liberal Premier George W. Ross had to tread between satisfying well established private interests, with which he was later revealed to be financially involved, and demands from municipal leaders. His position was made easier after power policy entered the partisan fray. Adam

Beck, the Mayor of London and an opposition Conservative M.P.P., persuaded his fellow municipal leaders to go beyond their call for municipal cooperative ownership and demand provincial government ownership of transmission. After sanctioning the vertically integrated private monopoly by licensing its generating plant in 1903, Ross met the municipalities' original demand with legislation that year. However, he did not offer government financial assistance to get the cooperative transmission company operating or remove the restrictions on municipalities wishing to compete with the private sector on local distribution. In this regard, the Ross initiative was merely "facilitative" in nature, rejecting the "redistributive" desires of the municipal leaders. Under the terms of the Ross Power Act, the interested municipalities (rather than the government) established the Snider Commission to investigate the feasibility of a cooperative, but municipal cooperative ownership would not be the last word on power policy. A real prospect of government ownership arose when the Conservatives won a watershed election in 1905, defeating the Liberals after 34 years in government.

Although the Conservatives and the Liberals were both free enterprise parties, the Conservatives took a more statist stance on power issues in the 1905 election. They did so because Beck, who joined the Snider Commission even though he favoured government ownership, had extolled the virtues of his view to public praise and persuaded his party to adopt this cause as policy. In a public display of his government's commitment to the cause,

Premier James P. Whitney made Beck the government's principal spokesman on power issues as a minister without portfolio and head of a second commission of inquiry, this one initiated by the government. However, when the Snider and Beck commissions reported within one week of each other in the spring of 1906 and legislation creating the H.E.P.C. followed shortly thereafter, confusion reigned on what had actually been recommended and enacted.

The Snider and Beck commissions, contrary to Nelles' otherwise masterful account of early electric power politics in Ontario,[2] did not recommend what has been ascribed to them. The Snider report recommended a municipal cooperative, but did not make "redistributive" recommendations for government regulation of the power industry or removal of the restrictions on municipalities competing with the private sector on local distribution. The Beck report, for its part, simply supplemented the Snider report's findings to advocate a transmission company that served a larger number of municipalities, and did not recommend government ownership or government regulation of the private sector. It was through Beck's public statements that the expectation of strong action by government had been created, but this was not carried through into the Power Commission Act of 1906. The Act was not a bold statement on public ownership nor did it even outline a clear example of government ownership. In creating the H.E.P.C., the Act simply fused a common municipal and provincial desire to "facilitate" economic growth, "redistribute" economic

benefits and produce "nationalistic" advantages for the province into an institution with ambivalent ownership.

In unearthing the precise character of the H.E.P.C. and its relationship with the government, the ambivalence was immediately apparent in characteristics that ruled out any resemblance to "first-generation" crown corporations. The Ontario government placed no emphasis on nationalizing private companies in creating the H.E.P.C., and indeed none were nationalized. Moreover, the H.E.P.C. was not established with the intention of it becoming a sector-wide public ownership monopoly. Rather than charting a course along the lines implied by a "first-generation" typology, the creation of the H.E.P.C. reflected the pragmatism of a turn-of-the-century government assembling different elements of the alternative means of addressing the particular circumstances of the day. In the result, the H.E.P.C. resembled a hybrid of three alternatives, namely a government department, a crown corporation, and a municipal cooperative co-existing with the private sector.

The weighting of the hybrid make-up of the H.E.P.C. stood out most clearly in the means for formal control and informal influence for government. Although these means reveal that the H.E.P.C. was given the outward character of a crown corporation and some traits of the trustee of a municipal cooperative, they also reveal that less apparent features of a government department were given the strongest weighting. Concerning the crown corporation element, the H.E.P.C. was given the collegial decis-

ion-making of three commissioners, which thereby established its ostensible autonomy from government. As for the municipal cooperative element, those municipalities which contracted with the H.E.P.C. were required to make sinking fund payments to retire its debts, a scheme which provided an equity basis for a municipal cooperative ownership claim. In addition, the H.E.P.-C.'s expansion occurred by municipal referendum. Despite having these crown corporation and municipal cooperative characteristics, however, the H.E.P.C.'s decision-making was circumscribed by powerful departmental controls. Its finances were to be administered in all manner like a government department, there were numerous provisions for cabinet approval of its business decisions, and one of the three commissioners must be and two could be cabinet ministers.

The hybrid outcome of the H.E.P.C. was politically rational for numerous reasons. In terms of political responsibility, the commission structure meant that government had more distance from the H.E.P.C. than would have been the case with a government department under a single minister. This separation was important given that the government's initiative was inherently controversial because the private sector had already established itself in the industry. Even though the government had attempted to appease the private sector by not making it subject to government regulation or nationalizations, the Power Commission Act raised its ire by going beyond the Ross Power Act to lift the restriction on local competition. Most notably, the Act

opened the ominous prospect of competition for the vertically integrated monopoly serving Toronto. This concession to the municipalities and other means, however, ensured for the government the support of municipal leaders in the looming battle with the private sector. And, by placing the decision to compete in the hands of municipal electors, the government deflected responsibility for competition on local distribution, and thus transmission as well. By promoting the notion that the H.E.P.C. was a municipal cooperative, the scheme insulated the government from the H.E.P.C.'s "redistributive" impact more than would have been the case if it was just a crown corporation.

Heightening the H.E.P.C.'s Ambivalence through Statutes, 1906-25

In the era from the first appointments to the H.E.P.C. in 1906 to Beck's death in 1925 after continuously serving as chairman, the H.E.P.C.'s "institutionalized ambivalence" was altered and heightened. Whereas the H.E.P.C. had originally resembled a hybrid weighted toward a department of government with the outward character of a crown corporation and some municipal cooperative features, Beck succeeded in transforming the weighting of the elements dramatically in the direction of corporate autonomy for the H.E.P.C. Beck was successful on this score through the sheer force of his personal leadership, which had three principal elements.

The first aspect of Beck's personal leadership was that he used to advantage his multiple roles as chairman, minister and

M.P.P. to minimize legislative and political scrutiny of his objectives. He expected, in short, that governments would give unquestioning support to H.E.P.C. projects, and he usually received it in exchange for his support of the government during elections. This was the case during the Whitney governments from 1906 to 1914 even though the representation of two ministers on the H.E.P.C. suggested cabinet control and John S. Hendrie, the second minister, was known to be associated with private electric interests. And after he left the cabinet in 1914 and only one minister, I.B. Lucas, sat on the H.E.P.C., Beck held to his expectation and went further. He not only insisted that the H.E.P.C. was directly responsible to the legislature through him as chairman; he extracted from the government of William H. Hearst corporate-like financial autonomy in the place of departmental controls.

When the U.F.O. government came to power in 1919, the H.E.P.C. was initially still able to evade serious scrutiny of its affairs. The reason was that Premier E.C. Drury appointed only Dougall Carmichael, a minister without portfolio, to the H.E.P.C., leaving Beck and Lucas as the other two commissioners. It was not until 1921, when Drury replaced Lucas with a U.F.O. supporter and initiated the first of two royal commissions inquiries, that the government gained some measure of an upper hand with Beck. After the Conservatives returned to power in 1923, this position was abetted by the fact that Premier G. Howard Ferguson insisted that Beck rejoin the cabinet and ap-

pointed J.R. Cooke, a fellow minister without portfolio, to the H.E.P.C. Absent the appointment of a third commissioner, the H.E.P.C. would in effect be run by Cooke since Beck suffered prolonged illness until his death in 1925. Despite the end of his era, that Beck was able to accomplish his transformation of the weighting of the H.E.P.C.'s hybrid character explains a great deal about the underdevelopment of the Ontario Legislature. His exploitation of this condition was a major component of his personal leadership, and it contributed greatly to his success.

The second aspect of Beck's personal leadership was that he was prepared to rally municipal leaders and public opinion against government control, exploiting to full effect the myth that the H.E.P.C. was the "trustee" of a municipal cooperative rather than a government enterprise. He in fact heightened ambivalent ownership by using the H.E.P.C.'s delegated powers to promote the municipal cooperative notion. He did so most notably through its contracts with the municipalities in 1908 and its annual report's accounting for the municipalities' sinking fund payments as "equity" in the H.E.P.C. in 1916. For this, he won the undying allegiance of the Ontario Municipal Electric Association (O.M.E.A.), an association created in 1912 explicitly to support his aims and further the cooperative contention. Indeed, the corporate autonomy Beck gained for the H.E.P.C. was largely dependent on the cooperation and encouragement he received from the O.M.E.A. The government, moreover, had even come to avail

itself of the cooperative contention to provide for salaries for the commissioners in 1914 and to deflect responsibility when approving the massive Queenston-Chippewa project in 1917 and 1918. By balancing the municipalities off against the government through the cooperative myth, Beck was able to secure the H.E.P.C.'s autonomy from the government, and the government did not always object.

The third aspect of Beck's personal leadership was that he took the H.E.P.C. far beyond its original and ambiguous mandate simply to operate a transmission company that supplied interested municipalities. Where the H.E.P.C. had been left to co-exist with a vibrant private sector, he drove private enterprise out of the industry to establish, for all intents and purposes, a public ownership monopoly or "first-generation" crown corporation. This was a policy against which few dared to argue because competition was his means for rationalizing the industry. Beck ensured that co-existence involved direct competition from the start, most notably in Toronto, and subsequently extended to regulation of distribution and later still generation before proceeding with nationalizations. Although the government would seek to come to the aid of the private sector, this option was largely precluded for two reasons. The H.E.P.C. not only expanded by municipal referendum, the political popularity of competition had strengthened Beck's hand for resisting political pressure for buy-outs of private companies. By waiting out their leases and subsequently negotiating their

purchase from this superior position, Beck was able to undermine their worth as monopolies and alleviate the need for costly expropriations. Thus, he incessantly and increasingly inhibited the property rights of the private sector until he received its eventual submission. With this "redistributive" mission completed, Beck's personal leadership had left the H.E.P.C. broadly "facilitative" of economic growth.

The events of the Beck era reveal a striking use of the government's two instruments for setting the direction of the H.E.P.C. -- statutory enactments and appointments. On the first, there had been extensive recourse to the legislative process to set the direction of the H.E.P.C. Although this occasioned numerous struggles between the H.E.P.C. and the government, it also served to transform the Power Commission Act, for the most part, into a flexible, broadly permissive statute that underpinned a crown corporation rather than a department. The second instrument, appointments, was used relatively infrequently in the Beck era given the long tenure of most appointees and the fact that the Conservatives were the government for all but four of the H.E.P.C.'s nineteen years of existence. Indeed, Beck served all nineteen years, W.K. McNaught served twelve, J.S. Hendrie served eight and I.B. Lucas served seven. Appointments, nonetheless, were a less than effective means of informal influence in the H.E.P.C.'s affairs at this time because Beck was able to dominate the H.E.P.C. through his extra-parliamentary base of support in the O.M.E.A. With the end

of Beck's personal leadership, the prospect that appointments would be used to set the direction of the H.E.P.C. in place of statutes was opened.

The Ferguson Formula for Appointments, 1925-43

In the era from the death of Beck in 1925 to the watershed provincial election in 1943, appointments came to "institutionalize" further the statutory foundation of the H.E.P.C.'s ambivalent ownership. This occurred through a formula for appointments developed by Premier Ferguson in 1925. Alongside a non-partisan chairman, Ferguson gave the O.M.E.A. constituency-like representation on the H.E.P.C. symbolically equal to that the government received by statute. The circumstances which generated this formula were a combination of three factors. First, the government needed to fill the void of Beck's personal leadership. Second, it needed to cope with the conflict persisting from the Beck era over whether the H.E.P.C. was a government corporation or the trustee of a municipal cooperative. Third, it had to resolve a high stakes dispute over whether power developments on the St. Lawrence and the Ottawa rivers fell into provincial jurisdiction over water power resources or federal jurisdiction over navigable rivers. The third posed a critical problem. The H.E.P.C. was in need of large quantities of new power to remain "facilitative" and the federal government's ambitions to control these rivers threatened the H.E.P.C.'s existence as a public ownership monopoly or "first-generation"

crown corporation.

In a unique synthesis, Ferguson tackled all the H.E.P.C.'s problems and challenges by remaking the H.E.P.C. through appointments. For starters, he appointed Charles A. Mcgrath, a non-partisan from outside the H.E.P.C. with expertise on water power matters, as chairman. And, rather than resolve the thorny issue of the H.E.P.C.'s ambivalent ownership by statute, he used the remaining two commissioner appointments to provide one representative each for the government and the O.M.E.A. Joining Cooke, the minister who had been appointed in 1923, was O.M.E.A. president C.A. Maguire. Before the depression arrived, the Ferguson formula had united the otherwise conflicting views on the H.E.P.C.'s ownership and provided the H.E.P.C. with the fortitude to stymie the federal government's ambitions on the Ottawa and St. Lawrence rivers. It did so by choosing to purchase power from companies wholly inside Quebec rather than cede jurisdiction by purchasing power from federally licensed companies. In defending the provincial interest, the H.E.P.C. was serving a "nationalistic" objective rather than merely being a "facilitative" crown corporation.

During the depression, Premier George S. Henry abandoned the Ferguson formula at considerable cost. In 1931, he appointed Cooke, who remained a minister, as chairman while his other two commissioners, Maguire, still president of the O.M.E.A., and Arthur Meighen, the former prime minister and representative of no particular constituency, emerged as partisans. These appoint-

ments proved to be injudicious given the political turbulence and partisan wrangling of the depression. They left the government unable to distance itself from political responsibility for the H.E.P.C.'s failings as a "facilitative" crown corporation. Of the contentious issues that brought the H.E.P.C. into the partisan fray, there were two of particular significance. The first was the huge power surplus originating with the Quebec contracts. Not only had Ferguson personally initiated and signed them; the Beauharnois contract in particular was caught up in the infamous political scandal involving that company. The second was the financially questionable purchase of the bankrupt Ontario Power Service Corporation. Henry had personally arranged the terms while he and Meighen were financially interested in the company. To make matters worse, the H.E.P.C.'s chief engineer, F.A. Gaby, brought it into the partisan fray as well by publicly criticizing Liberal leader Mitchell F. Hepburn at an O.M.E.A. convention.

After the Liberal victory in the 1934 election, Premier Hepburn did appoint a non-partisan chairman, T. Stewart Lyon, as per the Ferguson formula, but he did not balance government and O.M.E.A. constituency representation. Instead, he appointed two ministers as commissioners, Arthur Roebuck and T.B. McQuesten, much to the chagrin of the O.M.E.A. By ensuring cabinet control over the H.E.P.C., these two appointments fulfilled among other objectives the removal of Gaby and set in motion the Liberals' own "nationalistic" policy to renegotiate the Quebec contracts.

To see the latter through, the government made extensive use of enactments in 1935 to repudiate these contracts after the companies refused to cooperate to the government's liking. This in turn led to the government's direct involvement in negotiations for new, more favourable contracts with some of the companies and protracted legal disputes with the others. Although Hepburn's use of statutes and appointments had been politically popular because of the depression, they would nevertheless create political problems for his government when the economy began to recover with the H.E.P.C. in need of more power.

With the H.E.P.C.'s affairs dogging the government through to the 1937 election, Hepburn returned to the shelter of the Ferguson formula immediately afterward, but with two notable variations. First, T.H. Hogg was appointed chairman while he continued as chief engineer. This removed a division of labour between the H.E.P.C.'s administration and the government. Second, the O.M.E.A. representative, J.A. Smith, M.P.P., was selected from within the government caucus. Although this mattered little to the O.M.E.A., which was simply pleased to have its representation renewed, it was important to Hepburn. It meant he still had considerable control over the H.E.P.C. since the third commissioner, W.L. Houck, by statute had to be from the cabinet. In the event, Hepburn's variations on the Ferguson formula at once contained his political troubles and brought stability to the relations among the H.E.P.C., the O.M.E.A. and the government. This stability provided Hogg the freedom to

renew good relations with the Quebec companies to obtain more power and would be critical to the industrial mobilization for World War II. In this setting, the inter-provincial and federal-provincial problems which had hamstrung the development of the Ottawa river proved amenable to resolution through negotiated agreements in 1943. This indicated that the H.E.P.C.'s "nationalistic" stridency had been abandoned as it moved on with being a "facilitative" crown corporation.

Without a change of government or commissioners until the 1943 election, the Ferguson formula was elevated to the status of a "semi-convention".[3] It had evolved through trial and error over three distinct periods of the post-Beck era -- the federal-provincial jurisdictional dispute, the economic decline and political wrangling of the depression and the economic renewal and political stability of the late 1930s and early World War II. In the result, the relative importance of appointments for setting the direction of the H.E.P.C. had increased in relation to statutory enactments. Although statutes had been used extensively to grant the H.E.P.C. business autonomy in the Beck era, governments, with the exception of the first Hepburn government of 1934-37, had become wary of the attendant political responsibility that came with this degree of formal, statutory control. As the alternative for setting the direction of the H.E.P.C., appointments, when used strategically and judiciously, provided the government and the O.M.E.A. informal influence into the H.E.P.C.'s decision-making. In the process,

the Ferguson formula had further institutionalized the ambivalent ownership the H.E.P.C. had originally received by statute.

The Tug of War over Ambiguous Ownership, 1943-63

In the era from the 1943 election to the departure of the last minister to sit as an H.E.P.C. commissioner in 1963, the government and the O.M.E.A. engaged in a tug of war, struggling over the H.E.P.C.'s "institutionalized ambivalence" as part government corporation and part municipal cooperative. Although the government had previously accommodated this question through the Ferguson formula, the formula, with its status as a "semi-convention", stood in the way of infusing the H.E.P.C. with policy sensitivity for the government's objectives in a booming post-war economy. Given this constraint, the government could not freely exercise its power to appoint commissioners without facing the wrath of the O.M.E.A. In this setting, the government would not only develop an awareness of the constraints of the formula, it would be rudely awakened by the enormous political cost of removing a commissioner, and especially the chairman. The government attempted through statutes, its alternative instrument of control, to weaken the O.M.E.A.'s influence in the H.E.P.C.'s affairs.

It was in regard to the three major initiatives of the H.E.P.C.'s post-war expansion -- frequency standardization, redevelopment of Niagara and development of the St. Lawrence -- that the H.E.P.C. emerged as a full-blown "facilitative" crown

corporation with a crucial role in promoting industrial growth. In this economic environment, the government's wish to infuse the H.E.P.C. with policy sensitivity for its objectives was bound to clash with the O.M.E.A.'s continued contention that the H.E.P.C. was the trustee of a municipal cooperative. Conscious of the H.E.P.C.'s economic impact and the municipal cooperative myth, Premier George Drew attempted initially to break away from the Ferguson formula. Leaving Hogg as chairman (and chief engineer) and appointing one minister, George H. Challies, as a commissioner in 1943, he would thereupon create an advisory council for the H.E.P.C. in 1944 in lieu of having appointed an O.M.E.A. representative as per the Ferguson formula. After the council met resistance from the O.M.E.A., whose strength lay in the resolutions it expounded at its broadly representative annual conference, Drew did not force the issue and hence made no appointments to the council. With only a minority government, he instead appointed incoming O.M.E.A. president W. Ross Strike, a personal friend of Treasurer Leslie M. Frost, to the H.E.P.C. Despite the abortive experience with the advisory council, the government, entering a political environment of one-party dominance after the 1945 election, would act without apparent fear of parliamentary reprisal in its battle with the O.M.E.A.

Drew faced the O.M.E.A.'s opposition twice again. The first instance occurred after firing Hogg in 1947 for his complicity in a power shortage. Despite Hogg's act of corporate irresponsibility and lack of policy sensitivity for the government's

objectives in the expanding economy, Drew had to take the extraordinary step of justifying his action on province-wide radio as well as to the O.M.E.A. convention. Holding out the prospect of increased representation to appease the O.M.E.A., Drew had legislation passed to increase the H.E.P.C. from three to nine commissioners. Even here the tug of war arose. The O.M.E.A. apprehended that the new flexibility might be used to get around the Ferguson formula, causing Drew not even to have the legislation proclaimed. Instead, he ensured that Hogg's dual function of chairman and chief engineer was split, returning to the Ferguson formula in its original form. Dividing the roles (in modern parlance) of chief executive officer and chief operating officer, he appointed Robert H. Saunders, a non-partisan from outside rather than inside the H.E.P.C., as chairman in 1948 after the commissioners had appointed a general manager. The second conflict with the O.M.E.A. came when Drew called a surprise provincial election in 1948 with his frequency standardization program the main issue. Although the O.M.E.A. did not share his vision of standardization's importance to post-war economic growth, he won the day in the election.

After becoming premier in 1949, Frost set out to diminish the notion that the H.E.P.C. was the trustee of a municipal cooperative. First, he had legislation passed in 1950 which ended the requirement for the H.E.P.C.'s annual report to detail the municipalities' sinking fund contributions, although the H.E.P.C. would continue this practice for years to come. Second,

the legislation also vested the ownership of the frequency standardization works paid for by the government exclusively in the H.E.P.C., and thus outside of what the municipalities could claim to own cooperatively. Third, Frost appointed Drew's dormant advisory council in 1951, but it would never get off the ground. Given that the purpose of the council was to infuse outside input into the H.E.P.C., ostensibly for the politically sensitive projects of post-war expansion, it was not surprising that Frost had raised the wrath of the O.M.E.A. Even though a majority of those appointed had municipal backgrounds, the O.M.E.A. objected to advice being tendered from anywhere but its association directly. With the 1951 election approaching and Saunders also suspicious of outside advice, Frost backed down. On this score and others, Saunders, despite having been selected in the aftermath of Hogg's dismissal, would prove unwilling to reconcile the H.E.P.C.'s business autonomy with the policy sensitivity desired by Frost.

It was not until Saunders died in 1955 that Frost acted again on the issue of reforming the H.E.P.C.'s decision-making. He used the occasion to replicate the roles of a private sector board of directors -- an executive committee composed of three "chief executive officers" responsible for management and three outside directors serving as regular commissioners -- in the H.E.P.C.'s decision-making. Although he expanded the number of commissioners to six from three for this purpose and appointed his own chairman, James S. Duncan, in 1956, under pressure from

the O.M.E.A. he only used the new flexibility to expand its constituency representation. With one vacancy, the O.M.E.A. now had three past-presidents, Strike, A.A. Kennedy and D.P. Cliff, among the H.E.P.C.'s five commissioners. Given his government's failure to weaken the O.M.E.A.'s influence in the H.E.P.C. on three occasions, Frost created an energy portfolio in 1959, in part to circumvent the association. But although Robert W. Macaulay was both the minister and a commissioner, his portfolio was not made statutorily responsible for the H.E.P.C. because of protests from Duncan and the O.M.E.A.

Upon the transition of the premiership from Frost to John P. Robarts in 1961, the government renewed its interest in the judicious and strategic use of appointments. For starters, Frost diverged from the Ferguson formula by elevating his long time friend Strike of the O.M.E.A. to the chairmanship. Robarts then went back to the formula's principle of symbolically equal government and O.M.E.A. representation. Joining Macaulay as government representatives alongside the three O.M.E.A. past-presidents were George E. Gathercole, the astute Deputy Minister of Economics and Development under Macaulay who had been a senior policy adviser to Frost, and William G. Davis, a young backbencher who Macaulay was promoting. With these two appointees joining Strike on the executive committee, and Gathercole known informally as chairman designate, the government obviously sought to exert new influence in the H.E.P.C.'s affairs. Moreover, Gathercole, with his intimate knowledge of

the Ontario economy, was appointed in part to ensure that the H.E.P.C.'s expansion decisions did not work at cross purposes with the government's economic objectives.

Having renewed its faith in the Ferguson formula, the government passed two notable pieces of legislation in 1962. First, in consolidating the northern Ontario electric properties owned by the government into the H.E.P.C., the properties, like the frequency standardization works, were specifically vested in the H.E.P.C., and thus not the municipalities cooperatively. This suggested the struggle over ambivalent ownership was still alive. Second, the government removed the requirement for ministers to sit as commissioners, ending the remaining departmental feature of the H.E.P.C.'s organization. Thus, upon Macaulay's official departure in 1963, the H.E.P.C.'s decision-making structure, save for the removal of ministerial representation, essentially continued to adhere to the principle of the Ferguson formula.

In a setting of a booming economy and one-party dominance, the post-war era was unlike the post-Beck era in terms of the government's use of statutes and appointments. It witnessed a return of the importance of statutes relative to appointments as the instrument of choice for setting the direction of the H.E.P.C. The government had not only made extensive recourse to statutory enactments to authorize industrial leadership through the H.E.P.C., it also had used them in an effort to weaken the influence the O.M.E.A. had gained in the H.E.P.C.'s affairs

through the Ferguson formula. Not surprisingly, this caused the government and the O.M.E.A. to clash, in essence, over the "institutionalized ambivalence" of the H.E.P.C.'s ownership. Having failed to reduce the O.M.E.A.'s influence, the government reinvented the appointment formula within the larger number of commissioners established for the H.E.P.C. In the result, the resilience of the ambivalent ownership had triumphed with the tug of war ending in a draw.

The Denouement, 1964-73

Following a plethora of studies and recommendations beginning in 1964, the H.E.P.C.'s "institutionalized ambivalence" came to be attenuated in the re-creation of the H.E.P.C. as Ontario Hydro in 1973. Although the revamping of the H.E.P.C. occurred in the political environment of the extensive Committee on Government Productivity (C.O.G.P.) round of governmental reform, of which the Task Force Hydro (T.F.H.) review was part, the economic environment was what drove H.E.P.C. reform and made it a success. Economic circumstances had brought two interrelated changes to the H.E.P.C.'s character. Because of these changes, the government would proceed to revamp the H.E.P.C. to catch up with contemporary business practices and improve its own supervision of the H.E.P.C.'s affairs.

Inflation was the first of two economic changes to affect the H.E.P.C. In this circumstance, Gathercole, who became chairman in 1966, spearheaded a transformation of the H.E.P.C. He

took it from a "first-generation" crown corporation, one which controls a whole sector as a public monopoly to provide a basic service, to a "second-generation" crown corporation, one which uses capital spending as an instrument of counter-cyclical economic policy. Moreover, the government, with Premier William G. Davis taking a direct role, even insisted that rates be used for counter-cyclical purposes in 1972. The second economic change was a structural one affecting energy. It caused the H.E.P.C. to move from being merely a crown corporation "facilitative" of economic growth to one promoting a "nationalistic" economic strategy. This was reflected in the H.E.P.C.'s large-scale commitment to CANDU nuclear technology, and thus to Ontario uranium and Canadian reactor and ancillary manufacturing. With Gathercole the architect, the strategy began in the 1960s with the construction of the large Pickering and Bruce nuclear stations. Subsequently it occurred alongside the creation of Ontario Hydro in 1973 through the government's commitment to a massive expansion of nuclear capacity to meet the energy crisis.

The significance of the re-creation of the H.E.P.C. as Ontario Hydro lay in the fact that it was successful even though it renewed the tug of war between the government and the O.M.E.A. over whether the H.E.P.C. was a government corporation or the trustee of a municipal cooperative. By taking a reactive, defensive stance in its meetings with Davis and a later public campaign against T.F.H., the O.M.E.A. was able to ensure that the statutory provisions that supported the notion that the

H.E.P.C. was a municipal cooperative survived unamended. Indeed, the government backed away from its commitment to the onslaught of T.F.H. recommendations that would have brought an end to this foundation for the H.E.P.C.'s ambivalent ownership. Although the H.E.P.C. owned much of its property outright and the municipalities had paid only a fraction of its debts, T.F.H. had not debunked the myth that the H.E.P.C. was a municipal cooperative. The O.M.E.A.'s objections also ensured that Ontario Hydro was not designated a "crown" corporation. The association believed this recommendation was part of an overall attempt to undermine its municipal cooperative contention. In the face of the government's commitment to make the H.E.P.C.'s corporate features paramount, however, the O.M.E.A. was unable to maintain the vitality of its contention even though the statutory foundation was left intact.

Although the resilience of the cooperative myth protected the statutory basis of ambivalent ownership, the stature of the myth was nonetheless severely diminished at its symbolic level. The O.M.E.A.'s self-proclaimed role as the 'watch dog' of the H.E.P.C.'s affairs was displaced on four fronts. First, the introduction of a large board of directors undermined the cooperative contention by breaking the "semi-convention" of the Ferguson formula. In the result, the O.M.E.A.'s influence in the H.E.P.C.'s affairs was dramatically reduced. It would be given two of thirteen directors after having had three of six commissioners. Second, the H.E.P.C., for the first time since its

inception in 1906, was made formally responsible to a minister with portfolio for energy (the Minister of the Environment in 1972 and later the Minister of Energy in 1973). The change, which predated T.F.H. recommendations on the issue, occurred to decrease traffic in the Premier's office, particularly that generated by Gathercole and the O.M.E.A. Having been caught off guard, the O.M.E.A. could not come to the H.E.P.C.'s defense as it had in the past when the government sought increased control. Third, external review by the Ontario Energy Board (O.E.B.), in place of O.M.E.A. oversight, opened up decision-making on rates to broader public scrutiny. This was done over the O.M.E.A.'s objection that it spoke for the consumer interest. Fourth, finally implementing a statutory change made in 1950, the H.E.P.C.'s annual report no longer detailed each municipality's sinking fund contributions beginning in 1972.

Although there had been no less than four inquiries addressing H.E.P.C. issues -- C.O.G.P., T.F.H. the Advisory Committee on Energy and the Solandt Commission -- the government had limited objectives for reform. It primarily sought to infuse greater input into Ontario Hydro's decision-making. On this score, the large board of directors, in breaking the Ferguson formula, served the government's purposes admirably. Besides permitting a greater range of input from business and societal interests, it renewed the effectiveness of appointments as an instrument for ensuring both the efficient operation of the corporation and informal influence for the government. These

outcomes were especially evident in the first appointments to the new decision-making structure for Ontario Hydro. For starters, W. Darcy McKeough, the former Treasurer who had sifted through all the recommendations to draft the legislation, was made Minister of Energy. In addition, four of the seven T.F.H. members were among the new directors and two of the remaining three were respectively Deputy Provincial Secretary of Resources Development and Deputy Minister of Energy. Of this group, the chairman designate, Robert B. Taylor, and the two deputy ministers, Dr. J. Keith Reynolds and Richard M. Dillon, had been friends for over thirty years.

The government also sought to instill greater public openness into Ontario Hydro's affairs, although the external review it implemented was in fact only quasi-regulation. Indeed, Ontario Hydro retained final authority over rates, the O.E.B.'s review of rate increases was kept separate from the review of the costs underlying rates, the minister was given no formal role in arbitrating disputes between the O.E.B. and Ontario Hydro, and the cabinet would continue to approve rates, although informally rather than by order-in-council. Review nevertheless brought rate determination into the open where it was subject to public scrutiny.

In re-creating the H.E.P.C. as Ontario Hydro, the government had used statutes and appointments in a major display of government will. This was in marked contrast to the use of these instruments throughout the 1964-73 era. With the economic envir-

onment having changed the H.E.P.C.'s character, the government's two instruments for setting the direction of the H.E.P.C. had not served it well. The informal influence of appointments, despite efforts to appoint persons with corporate experience, had been frustrated by the constituency conventions of the Ferguson formula that basically limited appointments to O.M.E.A. and government representatives. Meantime, the formal control of statutory enactments, having been used piecemeal in previous eras, had never been a successful route for revamping the H.E.P.C. The only effective instrument of control or influence was the power to withhold the government guarantee of the H.E.P.C.'s debt. With the traditional use of statutes and appointments diminished in effectiveness, the government proceeded with reform through a bold use of both of them. This occurred not only so that Ontario Hydro could catch up with contemporary business practices; it was done to create a new decision-making framework that improved the government's supervision of Ontario Hydro's affairs.

Managing the H.E.P.C. through Elite Accommodation

The most enduring innovation to stem from the "institutionalized ambivalence" of the H.E.P.C. was the Ferguson formula for appointments. Prior to its creation, Beck had altered the original ambivalence over the H.E.P.C.'s ownership in the Power Commission Act of 1906 by gaining corporate autonomy for the H.E.P.C. at the expense of departmental controls. In the process, he had

heightened the ambivalence by strengthening the myth that the H.E.P.C. was a municipal cooperative. In this setting, Premier Ferguson had little choice but to resort to elite accommodation to manage the contending municipal and provincial ownership claims after Beck's death in 1925. Resolving the ownership issue by statute was a political impossibility. Through the Ferguson formula, the O.M.E.A. was given an "institutional foothold"[4] in the H.E.P.C.'s decision-making symbolically equal to what the government had received from the beginning through statutory representation for the cabinet. In the result, the formula gave visibility and sustenance to the H.E.P.C.'s "institutionalized ambivalence," and the municipal cooperative contention in particular.

The Ferguson formula, especially in its original form of a non-partisan chairman from outside the government and the H.E.P.C. alongside one government and one O.M.E.A. constituency representative, had a number of strengths. For starters, it permitted a division of labour between the government and the chairman, one which precluded cabinet domination because the chairman was not a minister. As for the commissioners, the formula-dictated limit of government representation to a single minister, when by statute there could be two, meant that the government's interests could be heard without the H.E.P.C. being visibly subject to cabinet control. Later, when the H.E.P.C. was increased to six from three commissioners and ministerial representation was removed, the principle of the formula would

adapt to an allocation of half of the commissioners for O.M.E.A. representatives. In either of the formula's scenarios, the inclusion of the O.M.E.A. in the H.E.P.C.'s decision-making was not only of symbolical importance; it weakened the prospect that the O.M.E.A. might mobilize against the government. This had been a tactic which Beck had countenanced and Ferguson had likely considered when the O.M.E.A. received its initial representation in 1925.

As for the H.E.P.C.-staff relationship, the Ferguson formula permitted a second division of labour which further insulated the government from political responsibility for the H.E.P.C.'s affairs. In modern parlance, this division was between the chairman as chief executive officer and the chief engineer as chief operating officer. As a result, the government could influence the chairman and commissioners, but was one step removed from directing, or being responsible for, the H.E.P.C.'s internal affairs. With the two divisions of labour, the Ferguson formula exhibited a unique genius. It simultaneously permitted informal influence to be infused into the H.E.P.C.'s decision-making while visibly respecting the H.E.P.C.'s business autonomy. And, with constituency-like representation, the formula served as a mechanism for facilitating accommodations between the government and the O.M.E.A. over their conflicting views of the H.E.P.C.'s ownership.

The elite accommodation engineered by the Ferguson formula worked in the H.E.P.C. case for as long as the range of con-

flicting interests, in Tuohy's terms, was "narrow" and all the commissioners were in "cross-pressured" positions.[5] The chairman, charged with running the H.E.P.C. as a government appointee, assumed the function of mediating the H.E.P.C.'s need for business autonomy with the government's desire for political sensitivity or policy sensitivity to its economic objectives. Balancing the view of the O.M.E.A. off against the government, a common tactic begun with Beck and carried on by some of his successors, gave the chairman a great deal more autonomy than might otherwise have been the case. The government representative(s), for his part, had to express the interests of the government and members of the government caucus while being mindful of the need to distance the government from political responsibility for the H.E.P.C.'s affairs. Government representatives nonetheless functioned in the shadow of the premier, who as a rule maintained direct relations with the chairman of the H.E.P.C. because of its overwhelming importance to the interests and operation of the government. The O.M.E.A. representative(s), usually a friend of the government, likewise had to express the wishes of the association, but had the added burden of being mindful that if its claims extended too far the government could bring an end to the myth of municipal cooperative ownership.

The Ferguson formula's ultimate unwinding lay in the fact that it was unable to accommodate the wider range of interests that came to be affected by the H.E.P.C. with post-war moderniz-

ation. In this regard, the H.E.P.C. faced the same pressures of other examples of "institutionalized ambivalence" in Canada, and the Ontario government responded in like manner. In attenuating the ambivalence over ownership, the government institutionalized a new ambivalence. It implemented external public review of a government corporation, one having some municipal cooperative features, alongside a responsible minister with portfolio in a setting where the cabinet still reviewed the corporation's affairs.

Endnotes: Chapter Seven

1. Carolyn J. Tuohy, Policy and Politics in Canada: Institutionalized Ambivalence (Philadelphia: Temple University Press, 1992), p. xvii.

2. H.V. Nelles, The Politics of Development: Forests, Mines and Hydro-electric Power, 1849-1941 (Toronto: Macmillan, 1974).

3. Andrew Heard, Canadian Constitutional Conventions: The Marriage of Law and Politics (Toronto: Oxford University Press, 1991).

4. Tuohy, op. cit., p. 347.

5. Ibid., pp. 347-8.

APPENDIX

Chairmen of the H.E.P.C., 1906-1974

Adam Beck — June 1906 -- August 1925
(while a minister without portfolio, 1905-14 and 1923-25)

Charles A. Mcgrath — September 1925 -- February 1931
(while chairman of the International Joint Commission)

John R. Cooke — June 1931 -- July 1934
(while a minister without portfolio)

T. Stewart Lyon — July 1934 -- October 1937
(former editor of the Globe)

Thomas H. Hogg — November 1937 -- February 1947
(while chief engineer)

George H. Challies — February 1947 -- March 1948
(Acting Chairman while a minister without portfolio)

Robert H. Saunders — March 1948 -- January 1955
(former mayor of Toronto)

Richard L. Hearn — January 1955 -- October 1956
(Interim Chairman; former general manager and chief engineer)

James S. Duncan — November 1956 -- May 1961
(former chairman and president of Massey-Ferguson)

W. Ross Strike — June 1961 -- March 1966
(commissioner since 1944 and a former O.M.E.A. president)

George E. Gathercole — April 1966 -- February 1974
(commissioner since 1961; former deputy minister of economics, 1956-62; continued as Ontario Hydro chairman to December 1974)

H.E.P.C. Commissioners (other than Chairmen), 1906-74

John S. Hendrie — June 1906 -- September 1914
(while a minister without portfolio)

Cecil B. Smith — June 1906 -- February 1907
(formerly engineer for Beck's inquiry commission)

W. K. McNaught — February 1907 -- February 1919
(while an M.P.P., 1906-14)

Isaiah B. Lucas — October 1914 -- July 1921
(while attorney general 1914-19)

Col. D. Carmichael — October 1919 -- June 1923
(while a minister without portfolio)

Fred R. Miller — July 1921 -- August 1922
(while a member of the Toronto Transit Commission)

J. George Ramsden — January 1923 -- July 1923
(formerly a member of Toronto City Council)

John R. Cooke — July 1923 -- June 1931
(while a minister without portfolio; continued as chairman)

C. Alfred Maguire — September 1925 -- July 1934
(while president of the O.M.E.A.)

Arthur Meighen — June 1931 -- April 1934
(former prime minister of Canada)

Arthur W. Roebuck — July 1934 -- April 1936
(while attorney general)

Thomas B. McQuesten — July 1934 -- October 1937
(while minister of public works and highways)

William L. Houck — November 1937 -- August 1943
(while a minister without portfolio)

J. Albert Smith — November 1937 -- August 1943
(while an M.P.P.; formerly an O.M.E.A. vice-president)

George H. Challies — August 1943 -- May 1955
(while a minister without portfolio)

W. Ross Strike — June 1944 -- May 1961
(first appointed when O.M.E.A. president; continued as chairman)

William E. Hamilton — May 1955 -- August 1955

(while a minister without portfolio)

Lt. Col. A.A. Kennedy May 1955 -- February 1973
(first appointed when O.M.E.A. president)

W. K. Warrender August 1955 -- October 1956
(while a minister without portfolio)

T. Ray Connell November 1956 -- May 1958
(while a minister without portfolio)

D. P. Cliff November 1956 -- June 1969
(a former O.M.E.A. president and its secretary-treasurer to 1965)

Robert W. Macaulay May 1958 -- October 1963
(while a minister without portfolio and later minister of energy resources)

George E. Gathercole December 1961 -- March 1966
(first appointed when deputy minister of economics and development; continued thereafter as chairman)

William G. Davis December 1961 -- February 1962
(While an M.P.P.)

Robert J. Boyer November 1962 -- June 1971
(while an M.P.P.)

Ian F. McRae February 1966 -- September 1970
(formerly chairman of Canadian General Electric)

Dr. Douglas J. Flemming October 1969 -- February 1974
(formerly an O.M.E.A. president)

D. Arthur Evans July 1971 -- February 1974
(while an M.P.P.; continued thereafter as an Ontario Hydro director)

Lou Danis September 1971 -- February 1974
(an O.M.E.A. vice-president on his appointment)

Roger N. Seguin September 1971 -- February 1974
(an Ottawa lawyer)

J. Dean Muncaster February 1973 -- March 1974
(appointed while chairman of T.F.H.; continued thereafter as an Ontario Hydro director)

Government Representatives on the H.E.P.C., 1906-74
(Tenure with the H.E.P.C. in parentheses)

Adam Beck (1906-25),
Minister without Portfolio, 1905-14 and 1923-25,
M.P.P., 1902-19 and 1923-25

John S. Hendrie (1906-14),
Minister without Portfolio, 1905-14

Isaiah B. Lucas (1914-21),
Attorney General, 1914-19

Lt. Col. Dougall Carmichael (1919-23),
Minister without Portfolio

John R. Cooke (1923-34),
Minister without Portfolio

Arthur W. Roebuck (1934-37),
Attorney General

Thomas B. McQuesten (1934-37),
Minister of Public Works and Highways

William L. Houck (1937-43),
Minister without Portfolio

J. Albert Smith (1937-43),
M.P.P.

George H. Challies (1943-55),
Minister without Portfolio

William E. Hamilton (1955),
Minister without Portfolio

T. Ray Connell (1955-58),
Minister without Portfolio

Robert W. Macaulay (1958-63),
Minister without Portfolio, 1958-59,
Minister of Energy Resources, 1959-63

George E. Gathercole (1961-74),
Deputy Minister of Economics, 1956-62

William G. Davis (1961-62),
M.P.P.

Robert J. Boyer (1962-71),
M.P.P.

D. Arthur Evans (1971-74),
M.P.P.

O.M.E.A. Representatives on the H.E.P.C., 1906-74
(Tenure with the H.E.P.C. in parentheses)

C. Alfred Maguire (1925-34),
President of the O.M.E.A., 1923-35

J. Albert Smith (1937-43),
Vice-President of the O.M.E.A., 1936-37

W. Ross Strike (1944-66),
President of the O.M.E.A., 1944-46

Lt. Col. A.A. Kennedy (1955-73),
President of the O.M.E.A., 1953-56

D.P. Cliff (1956-69),
President of the O.M.E.A., 1950-52,
Secretary-Treasurer of the O.M.E.A., 1953-65

Dr. Douglas J. Flemming, (1969-74),
President of the O.M.E.A., 1967-68

Lou Danis (1971-74),
Vice-President of the O.M.E.A., 1971

Chief Operating Officers of the H.E.P.C., 1906-74

P.W. Southam,
Chief Engineer, 1906-12

Fredrick A. Gaby,
Chief Engineer, 1912-34

Richard T. Jeffery,
Chief Engineer, Municipal Relations and Rural Power, 1934-37

Thomas H. Hogg,
Chief Engineer, Hydraulic and Operation, 1934-37

Thomas H. Hogg,
Chief Engineer, 1937-47 (while Chairman)

Richard L. Hearn,
General Manager and Chief Engineer, 1947-55

A.W. Manby,
General Manager, 1955-59

J.M. Hambly,
General Manager, 1960-70

Douglas J. Gordon,
General Manager, 1970-74
(continued thereafter as President of Ontario Hydro)

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